Advanced MANAGEMENT

AUGUST
VOL. XXI NO. 8

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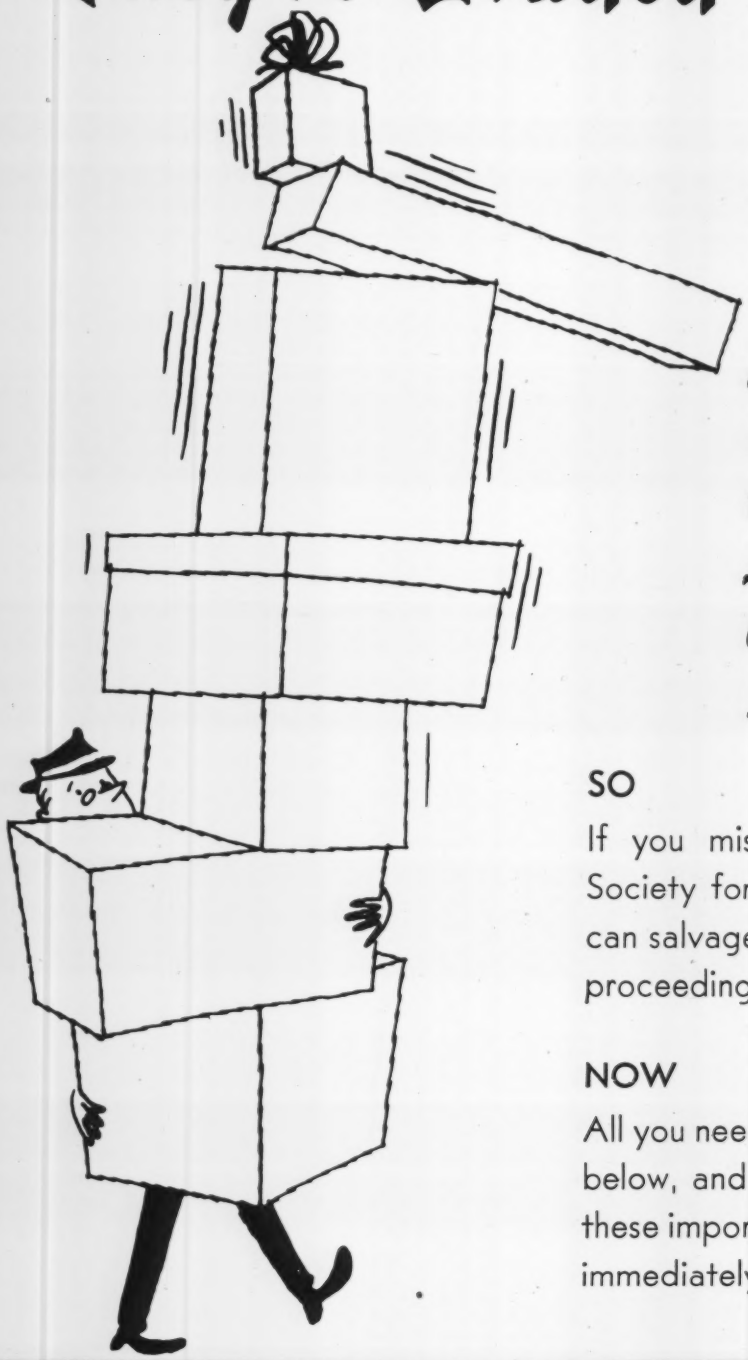

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"Through research, discussion, publication, and other appropriate means to conduct and promote scientific study of the principles governing organized effort in industrial and economic life . . . for the general betterment of society . . ."
S.A.M. Constitution

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Need for Management's Education in Business

PETER DRUCKER, in his book *The Practice of Management,* made this statement: "The demands on the skill, knowledge, performance, responsiblity, and integrity of the manager have doubled in every generation during the past century. Things, which in the twenties only a few pioneers in top management were aware of, we now expect young men straight out of school to be able to do.

"Daring innovations of yesterday—market research, product planning, human relations, or trend analysis, for instance—have become commonplace. Operations Research is fast becoming so. Can we expect this almost explosive increase in the demands of the manager to continue? And what can we expect to be demanded of the manager of tomorrow?"

Ralph Cordiner. President of General Electric, has emphasized and pinpointed the importance of managers with this warning: "Not customers, not products, not plants, not money, but **managers** may be the limit on General Electric's growth."

Mr. Cordiner has backed up this statement by establishing an Advanced Management Course for General Electric managers at Crotonville, N. Y. The GE management course covers 13 consecutive weeks, operates on a year round basis with approximately 75 participants attending each course. GE managers who attend the course are relieved of their regular responsibilities for the thirteen-week period.

Harold Smiddy, GE Vice President for Management Consultation Services and a distinguished authority on development of executives, is responsible for manager development in General Electric. He says, "No company, no industry, can afford to let managers just happen."

Many other companies also have excellent management development programs. They may differ to some extent, but on the following there seems to be a universal agreement:

1. That management today is recognized as a distinct kind of work.
2. That it requires specialized skills, aptitudes, and training.
3. That sound management principles and practices apply to all kinds of organized enterprise whether large or small—to all functions—and to all levels of management.
4. That these principles and practices can be taught, learned, and further improved.

Companies that are advancing their management practices recognize management education as a company responsibility as well as the responsibility of every individual manager. They take the position that companies which do not seek out and apply the best management practices will someday be at a competitive disadvantage.

A manager must not only have intellectual respect for good management but his leadership responsibilities require him to assume the role of a teacher. He must recognize the gap which exists between his knowledge and understanding of good management principles, and the knowledge and understanding of his people. He must guide, coach, and impart his management knowledge and beliefs to his people. A good manager must be dedicated to management improvement and the development of people.

The Society for Advancement of Management is a pioneer in management education. It is aware of its responsibility and its opportunity to further management education. During 1955 over 200,000 management representatives attended national and local S.A.M. activities. In the coming year S.A.M. is looking forward to an even broader program.

JOHN B. JOYNT, *National President*

A popular current speculation concerns the over-supply of products in various lines and the inability of the market to absorb the surpluses. What's going to happen to the companies that get stuck with surplus inventories? Which companies will they be? Here is one company president's personal speculation.

Small Business— A Look Into The Future

By William L. McGrath
President
The Williamson Heater Company
Cincinnati, Ohio

THIS paper is concerned with certain aspects of the future outlook for small business. In particular it is concerned with the problem of planning your sales and inventories, then selling your inventories.

It would be wonderful if every company could sell its products as fast as made, so that it would never have any inventory problems.

But in the United States, where we operate under the competitive system, it doesn't work out that way. Competitive articles are always clamoring for the consumers' dollar and sometimes goods do not move. For the past ten years our country has been engaged in a tremendous upsurge of production. We are making a larger volume of more things for more people than ever before.

Are we going to sell these things fast enough to avoid accumulation? Probably not in every line.

According to present indications, the supply of products in various lines is running ahead of the absorption capacity of the market. As they say in the trade: "The pipe lines are getting full."

What's going to happen? Some companies are going to get stuck with inventories. Just which companies will those be?

Well, some of them will be companies that have incorrectly gauged their markets or who have failed to redesign their products to suit customers' needs. Some will be those whose costs of production are too high to permit competitive selling prices; or those who fail to understand modern principles of marketing and distribution.

So, as 1956 advances what will probably happen will be that some companies, unable to dispose of excess inventories, will get into trouble. Some will struggle and finally survive. Some will go out of business either through merger or through liquidation.

Do I seem to be painting a picture of alarm and disaster? Not at all! Far from it.

I am painting a picture of the *normal operation of the principle of competition in a free economy*. Such liquidation periodically has happened and will continue to occur.

In fact it *should* take place if the consuming public is to benefit from better products and lower costs. Competition improves products and cuts the cost of doing business and therefore tends to reduce prices to the public.

Unless they mend their ways, the spur of competition eliminates companies with inefficient management, high production costs, poorly designed products and encourages constant improvement of products, lowering of costs and reduction of prices.

Therefore, under the competitive system we have in our country a mixed pattern of successes and failures.

Let me digress for just a minute. The reason I emphasize our competitive system is that it presents such an amazing contrast to the business system that is employed in practically all the rest of the world, with the exception of Canada.

WILLIAM L. McGRATH

Mr. McGrath has been associated with the Williamson Heater Company for the past thirty years. In addition to serving as president of his own firm, he is a director of the Cincinnati Gas and Electric Company, the Fifth Third Union Trust Company and the Globe Wernicke Company. Mr. McGrath was employer representative on the American delegation to the 32nd to 35th Annual Conference of the International Labor Organization at Geneva, Switzerland. He is a past National President of the Society for Advancement of Management, the Cincinnati Chamber of Commerce, the National Warm Air Heating and Air Conditioning Association, and the Industrial Association of Cincinnati.

My seven years experience as a member of the United States Employer delegation to the Annual Conferences of the ILO in Geneva, Switzerland, brought me into direct contact with business men from all over the world. I learned that the concept of doing business in foreign countries is very different from ours.

In Europe and many other places business is done under the protection of cartels or monopolies and direct national ownership. In all cases, except Canada, business has government sanction for high prices, high margins of profit, allocation of markets. The public pays the price. Prices are set high enough to protect the market and highest cost manufacturers. Most of the public can't afford to buy. And because competition is lacking, product is improved slowly if at all.

So, under the foreign system the man in charge of a plant does not have to worry about inventory. He does not have to fear competition. The government will protect him. The other plants will not be allowed to cut his prices. He will get plenty of time to unload his inventory. The bank will not be permitted to call his loan. No competitor will be improving the product or introducing new features. The other plants' sales organizations will not be allowed to solicit business in his territory. Everything is under legal protection by law, mind you, protected by government. But the price of the product stays up and the public pays the bill and living standards stay low. The consumer is at the mercy of the monopoly. This is all legal in those countries but absolutely illegal in the United States of America.

In the United States of America competition is allowed to play the part. Over here the consumer is boss. The buyer decides whose product he will buy and whether he will pay the price. The efficient producer makes a better article or reduces its cost and the public gets the benefit. To do that and stay in business, he must maintain a continuous flow of products from shipping room to customer. Otherwise products pile up in what is known as excess inventory.

In the United States the management of every business has to make its own decisions in the light of its own circumstances. If the decisions are right it will succeed, if they are wrong, it will fail. And I think that's the way it *should* be for the benefit of the public. But our problem is to figure out what policies, with respect to inventories, a company should pursue in order to succeed in staying in business. Let's take a hypothetical example. Let's say, to make the illustration rather simple, that we have a company manufacturing garbage cans. Business seems very good on the surface. The Purchasing Department buys a lot of steel. The Production Department goes full steam ahead. But all of a sudden at the end of the year it turns out that the company has manufactured a whale of a lot more garbage cans than it can possibly sell. Did you ever try to sell garbage cans in a distress market to raise cash? Especially if the cans were without lids or handles due to bad inventory and production control? Without lids or handles they are useless, unsalable, unfinished inventory.

How does this company end up? It ends up with garbage cans sticking out the windows of all available warehouse facilities—and short on cash. Without enough cash it can't pay its bills or its bank loans. It's in trouble.

Well, that's an extreme illustration. But it points up the story I'm telling.

The problem before American business is to make sure we gauge our production in proper relation to our sales possibilities, so that we will not have an accumulation of unsold, incomplete products, unmatched parts or semi-finished material. If the dollar value put on inventory represents goods that cannot be disposed of in a competitive market, the financial statement is weak. It is short of cash.

This is a matter of planning, and it starts with the sales forecast.

How does one arrive at this sales estimate?

First, one must study general economic and business trends because the overall business cycle may affect any industry.

Some of this information may be obtained from the newspapers and business magazines, but one can get much more information, systematically presented, from a professional organization which is willing to disclose its techniques.

By way of illustration let me tell you what we do in our own company and have done for many years. Not being able to afford our own staff of economists, we subscribe to the services of the Econometric Institute. What they do for us is to forecast the overall trend of business in general and also provide

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us with special statistics as to the potential market for our particular products in the light of consumer acceptance and indicated public buying power.

Business never stands still. By studying various indices the composite thinking of a team of professional experts can gauge the trend. Though not always right, if impartial, such a team is more often right than wrong. On the basis of expert forecasting, a business can do some very important provisional planning.

But of course the overall trend of business doesn't necessarily chart the direction of any particular industry. Each has its own type of markets, consumer preferences, prices, distribution.

So, how do you interpret a probable broad economic trend in the light of your particular business?

To illustrate, let's use durable consumer goods, which is the field my company is in. We make home furnaces and home air conditioning equipment. Other examples of consumer durable goods are refrigerators, vacuum cleaners, mangles, washing machines, etc.

Now, what is the potential market for any one particular item in the durable consumer field? It is made up of two factors: The first is the replacement market; for example, people who now have a furnace or a refrigerator but eventually must buy a new one when the old one wears out.

The second is the new market created primarily by what we call in the trade "family formations." When Joe Doakes marries Susie Smith and they get a home of their own that is a "family formation." When that family is formed and the new home bought they are going to need a furnace, a refrigerator, etc.

THE following is what we must find out and experts such as the Econometric Institute can help us.

1. To what extent is a market for any particular product already saturated?

2. What is the potential increase due to family formations?

Here are some examples. The Econometric Institute tells us that 97% of all American homes with electricity now have radios. To overcome this replacement market deficiency the radio industry has successfully carried into effect its sales program of "more than one radio to a home."

Now let's take a completely contrasting picture. The Institute gives us some figures on dehumidifiers, something new in American households. Their estimate shows that only 1% of American homes wired for electricity now possess dehumidifiers. In that case the replacement market wouldn't mean a thing. In that case, 99% of present homes wired with electricity might be in the market for their first dehumidifiers. There is *no* saturation.

Do you see why figures of this sort are so important in estimating a potential market, in scheduling production, and in trying to figure out whether you will, or will not be able to move inventory?

Now let me give you an example from my own business.

We estimate that 50% of the present homes in the United States now have central heat. That 50% represents our potential replacement market. We estimate that the remaining 50% are sooner or later going to install central heat and that most of the *new* homes built from now on will have central heat.

We base our potential market for furnaces on that sort of calculation.

We go into a new territory and find 10,000 homes with central heat already installed. We estimate that a furnace has a life of twenty years. So on the average, in that community, 500 furnaces should be replaced every year. We believe that our competitive position entitles us to at least 10% of that business. Our goal is sales of 50 furnaces per year to the replacement market in that territory.

On top of that we add our share of potential sales in *new* homes that will be built in that neighborhood.

Now let's take the other side of our business—the cooling business. Air conditioning is really just getting underway in this country. The market isn't one of replacement. It is just the reverse of market saturation. The problem here is to sell the idea of summer cooling to people who have never worried about it before. And in that connection I want to digress for a minute.

A new device does not sell itself. No matter how good it is, you won't get sales rolling in volume until you have done enough advertising, merchandising and good old-fashioned sales plugging to create the desire to buy. There are too many competitive articles clamoring for the consumers' dollars. Many a marketer of a new invention has come a-cropper on that gamble and wound up with an unsalable inventory instead of money in the bank.

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When we get from an expert economic service, an estimate of indicated business trends and figures on the degree of market satutration, that is just the first step toward keeping inventory moving.

We must come closer to home. The next step is to get the opinion of our own sales staff on anticipated sales.

Conclusions on the general trend, plus reports of our own salesmen, enable us to build a sales forecast which serves as a guide for our production schedules for the coming year. Remember—your objective is to produce all you can sell, but not to produce any *more* than you can sell.

Now, if the experts plus your own salesmen say business is on the down-swing, what do you do? Well, you don't do what they do in Europe. In Europe they say, "Well, we'll limit production to what we can sell at high prices and the government will protect us."

Instead, you start to figure out ways and means whereby you may be able to keep your sales up. You add some new features to your design, reduce costs, if possible, and adjust prices. Then you call your force together and say: "Look boys, we have a job to do. Our total volume of indicated business is less than it was last year, but we're not going to let that lick us. We're going to try to maintain our volume. This may mean obtaining some business which our competitors now have, but if we are more efficient than they, we are entitled to it. "We do not wish to cause undue difficulties for our competitors but if they expect to hold their customers they will have to do at least as good a job as we do. And we are going to strive to do a constantly better job in sales effort, in cost control, in design, quality, etc."

That's the way we do it in the United States. And that's why, under our system, the customer always keeps on getting better value for his money and we have a steadily rising standard of living.

But that's only part of the story. After you gear up the sales force to try to sell the same volume they sold last year, in the face of a business decline, then you do a little hedging. You try to play safe both ways. If your economists think business is going down 10%, you go to your Purchasing Department and say, "Scale down your buying by 10%."

Every successful business utilizes a system of checks and counter checks in the control of production and inventories. In our company we follow the general pattern. However, we have found one thing to be necessary in the success of this or any other management control. This essential ingredient is *understanding*.

To accomplish this we have a policy of getting together and talking it over. An efficient program, in order to succeed, must be understood by all who participate in it.

In our weekly meetings we measure actual results against our forecasted figures. We check sales trends against sales projections, by item of sale—the shipment to date by item—the percent of projection actually shipped to date, in relation to the present forecasted to be shipped; the unfilled order picture and the actual inventory related to projected inventory by item of sale. Whenever wide variances develop, they are noted and discussed. We try to determine whether our competition has stolen a march on us or whether our competitive position is better than we anticipated; and whether inventory accumulation or depletion is developing. A decision as to the most desirable course of action based upon the composite thinking of the various division heads is reached and immediate reinforcing or corrective action is taken.

Purchase commitments are regularly plotted, permitting adjustments in buying well in advance of our needs and ensuring:

1. Material on hand to permit the supplying of our customers' wants.
2. The reduction to a minimum of any unnecessary inventories.
3. The conservation of cash and its proper utilization.

It is a dynamic control predicated on a basic understanding of the problem, using all possible reports on trends, and the welding of a group of men into a single unit, all working toward a common goal.

If, in the meantime, your Sales Department is successful in selling the previous year's volume in spite of a general business decline, you can always speed up your orders for raw material and step up your production rate. But you don't let unsold inventory pile up, especially unfinished inventory. You might be able to sell the finished product in a slack market but it is almost certain that a slack market, or any other kind of a market for that matter, will not absorb parts which cannot be used unless other parts are also available to make the job complete and usable.

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When you move . . .

But that's all based on the principle of competition. Competition is a perpetual struggle compounded of success for some and failure for others.

But there is a winner in this whole struggle. There is one person who *always* wins; and that is the customer.

The end result of competition is better things for more people at lower cost. That is what we in the United States understand and believe.

And we have learned what they haven't learned in Europe: that if you can devise something new and interesting that people will want, and back it up with effective sales and merchandising methods, you can make more money on a low margin of profit on a high volume than you can make on a high margin of profit on a low volume.

That is possible because in this country there is no limit to human desires. In most of the rest of the world they're still talking about supplying the basic needs of the people. We in our country have passed far beyond that. Today only about 25% of our working force is employed in supplying basic needs; 75% is employed in making things that people want. There isn't any reason why everybody shouldn't have all today's modern comforts and conveniences, provided we can cut production costs through volume manufacturing to a point within reach of everybody's pocketbook. To cut production costs, production control and inventory control are absolutely necessary.

Now in conclusion I just want to go back to one more point on this subject of keeping inventories moving. If I remember correctly, it was Emerson who said: "If a man can build a better mouse trap than his neighbor, the world will beat a path to his door."

Well, that may have been true in Emerson's day, but it certainly isn't true now. If a man builds a better mouse trap than his neighbor but doesn't put some sales and merchandising pressure behind it, he'll wind up with the mouse traps bulging out of his attic window and go broke because of excess inventory. ■

It's not how fast, nor how much, but how well you read that really counts, according to this author. Reading used as a management tool is discussed here, and its importance to professional people who depend heavily on reading as a learning tool. As with any other skill, reading ability may be improved by the application of technique designed to train the mind to absorb the meaning behind the words. Mr. Zerfoss discusses here the method of guided reading.

Are You Reading On The Run?

By Lester F. Zerfoss

Industrial Relations Department
American Enka Corporation
Enka, North Carolina

PERHAPS the rash of executive interest in "rapid reading" in the past several years is symptomatic of something far deeper than the need to read more and read faster. It might be a tip-off to the busy executive, worried about his reading ability, that his real problem is not really skill improvement but *reading management*—the more effective organization of his reading time and a more productive application of what he now reads. Despite the claims of rapid-reading programs that their trainees have actually increased the speed with which they consume the printed page (and most of those claims are not supported with any accurate measurements, or any real proof of long-term gains), there is considerable evidence that the side effects on the people who have submitted themselves to this type of forced training are not wholly desirable or good. The executive who appears to need reading acceleration the most might well be the person who is hurt the most by it—if those side effects are increased tension, irritability, and stomach distress caused by the pressures utilized in the training process.

We must never forget that it is not how much or how fast we read, but rather the reading we put to work for us that really counts. Actually a man who reads one hour a day and "lets it go in one eye and out the other," so to speak, might greatly increase the effective use of that reading hour if he has a workable plan for retaining the pertinent thinking he acquires and finds ways of tying these new insights and knowledge into his own experience, so that they can be used at the point of his own problem-solving or decision-making.

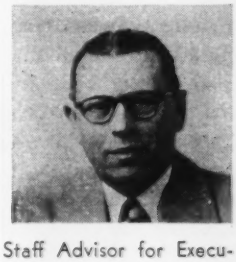
Professional people depend very heavily on reading as a learning tool. Casual records made by management people to keep track of the way they spend their time leads me to believe that top and middle management people in a typical organization often spend 25 to 50 percent of their time reading. A good percentage of this reading consists of a hurried but passive scanning of the current periodical literature that travels via office circulation lists. Under most conditions this vast amount of reading (if we can dignify it by that name) is guided mostly by proximity of the man to the magazine which happens to be at hand and the obligation to move it on to the next man on the list, rather than by any strongly felt need of the reader. Too often a man's *real* objective is to check off his name and so conform to the circulation system rather than to find something important which he can put to use.

In short, the typical practices for handling periodical literature almost insure that nothing much of a constructive nature will come from a company's magazine subscriptions. There is some reason to believe that unless they are used much more intelligently, there is but little value in having an executive lose the time it takes to go through the reading motions.

All this is not in any way belittling the value of reading as a basic learning tool for the professional and technical man, but is merely pointing out certain abuses which have crept into our reading management that desperately need to be corrected.

If a company is to make the reading time of its executives really productive,

LESTER F. ZERFOSS



Mr. Zerfoss is Staff Advisor for Executive Development at American Enka Corporation. He has also worked in the field of Executive Training at Buick Motor Division of the General Motors Institute. Prior to his entry into business and industry, Mr. Zerfoss spent 16 years in teaching and administrative work in the public schools of Pennsylvania.

several concepts stand out as important.

First, we must know that there are two basic approaches to learning anything. We learn by doing things ourselves—this we call "direct" experience. However, if we are smart, we can add greatly to this basic learning by reading about *what other people are doing and thinking*. This might be called "vicarious" experience. The learning which we get from doing things ourselves is our basic backlog of "know-how"—for which there is no substitute. Nevertheless, the additional values which we get from understanding, interpreting, and associating our own experience with that of the experience of other people is of sufficient importance to make the difference between success and failure. If properly done, reading is the most effective tool known to an intelligent person to amplify and activate his own experience. As an old German tradesman of an earlier generation used to say, "You can steal a trade with your eyes." The reading experience, since it is a vicarious experience, is not nearly so deep-seated as personal, direct experience; therefore it needs to be put into *meaningful* relationships as quickly as possible, lest it be lost, even as the printed page which contains it disappears from view.

SECOND, this brings us to the realization that reading can be a meaningful activity or a most wasteful one—depending on how we do it, and what we do with it. May I repeat that the first step in reading management is to realize sharply that it is not how much we read or how fast we read it, but what we do with what we read that really matters. If this is accepted as a starting point, then by learning and practicing a few basic reading skills even a slow reader can make the time he now spends in reading result in a more effective contribution to his professional development.

Also, it might be well to remind ourselves that if we are to read effectively, we need to put to work for ourselves several simple psychological principles.

1. We must realize that when we read for a specific purpose rather than merely "reading in general," our reading is more productive. This simply means that we can increase our batting average if we spell out in advance of the reading just what it is that we expect or hope to get from the article. Obviously this hope or expectation should lie in the area of our present working needs, current problems, pending decisions, and choices-in-the-making much more than in the area of filling a "Mother Hubbard's cupboard" of ideas with canned morsels and tidbits to be used in some future, and as yet undetermined, situation. The longer the time between the act of reading and the use of the idea which results therefrom, the less there will be to use.
2. As we sit down to read an article we must realize that reading analytically and critically is far more productive than reading passively or endorsingly. The magic name of the author or his authoritative position in his field can unconsciously put us into an accepting frame of mind so that we might substitute his thinking, his conclusions, and his judgments in lieu of our own. It is not what the author believes but how much of what he believes that we can integrate into our own experience that counts.
3. Most people find that reading which is in tune with the writer's plan of writing is much more productive than the usual "page" reading. Incidentally, herein lies one of the fallacies of rapid reading which is apt, through the techniques of word-counting, space-measuring, and timing, to lead us to think of pages of reading rather than a sequence of ideas with logical thought relationships built into that sequence.
4. The reading process should continue *at the time of reading* from an understanding of what is read to a personal reaction, in terms of one's own experience, and then on into a resulting plan for putting the new learning into prompt use. If reading stops without this personal reaction and identification of a specific area of use, most of the value of the reading disappears and is forever lost.
5. Except for a few rugged individualists, a simple note-taking or recall system can be worked out which will double the usefulness of what we read and greatly increase reading efficiency by injecting it into working relationships which will make it pay off. Again, we must not forget that reading is a "vicarious" and therefore a "weak" experience. It is soon lost if it is not promptly made our own. Like food, it must be digested, assimilated, and get into the blood stream before it can be useful.

THE reader must ever be aware that, in the complex thing called reading, he is putting to work a number of specialized skills, each with a definite job to perform, depending upon the use we wish to make of our reading time. A quick look at some of these skills will illustrate this point:

The Skill of Condensing Ideas—If we look at this skill from the point of view of the writer rather than the reader, we think of it as the skill of summarizing, of digesting, of briefing-down, of synopsizing, or of précis writing. All of these written patterns have one thing in common—they reduce the general thought of the writer to an easy perspective, capsulizing it for easy retention and use.

The Skill of Amplifying Ideas—This skill, of course, is just the opposite of the first skill. The skill of amplification calls for expanding the thinking of the author by thinking of additional illustrations, examples from our own experience, or adding additional details which will enrich, vitalize, and personalize the main point brought out by the author. The skill of amplification is particularly valuable to the reader in the step of making the author's thinking his own and tying it into his own experience through bonds of association.

The Skill of Selecting the Pertinent or Unique Contribution of the Author—This skill is basically a "critical" skill. An exercise in comparing and contrasting, it can also be a searching-out process. Naturally the more widely one reads in a given subject, the more comparisons with other authors he is able to make. Since in most articles dealing with a timely subject there is a great deal of overlap, sameness of viewpoint, or body of common knowledge easily picked out from article to article, it is an exercise in reading economy to be able to quickly analyze a given article and find that portion of it which is unique or different from that which might be found in other articles on the same subject. The practice of this skill enables the reader to come to a point of efficiency in his reading where he is able quickly to identify given slants or viewpoints or philoso-

phies characteristic of certain authors. Once such uniqueness of style or viewpoint is associated with a given author, the task of reading future articles by the same person becomes measurably easier.

The Skill of Identifying Possible Uses and Translating Those Uses Into the Reader's Own Special Work—This skill, like that of amplification, calls for an extension of the author's thinking and a deliberate associative attempt to tie the author's thinking into the reader's own experience so that the new experience is projected into the job at hand. Certainly the ability to do this bridging from theory to practice, from ideas to action, is at the very heart of reading management.

The Skill of Association of Key Words—This is the "economy" skill of associating key words and thoughts with major points. It puts our memory to work for us where it will do the most good. It is the tool we lean most heavily upon in the retention or storing of ideas in our minds for future use. However, it can be equally valuable in the note-taking processes and in the processes of translating reading into spoken words, conversation, and formal talks.

The Skill of Generalizing and Relating What We Read to Basic Principles and Other Viewpoints—While this skill is closely associated to the skill of identifying possible uses, it differs perhaps in one major respect. The value of any specific idea which we might find in an article is limited to some degree unless we are able to associate it and relate it to a general idea which has wider and wider applications. This process of classifying our ideas into larger and larger groups makes them much more valuable for *continuing* reference to make sure that we are able to bring them to bear on unusual problems and in situations which at first seem rather far removed from the use that first comes to mind at the time of reading. In other words, a single application is just one application and is only of immediate and limited use until it is related to a basic principle or a generally accepted theory which enables us to transfer it and apply it to many uses.

OF COURSE, there are many skills of reading other than those we have just mentioned, nevertheless, these six skills form a basic pattern of reading "know-how" with which the sincere reader can greatly increase the effectiveness and usefulness of what he reads. Since they are not only reading skills but also writing skills, few professional people have escaped practice in their use and merely identifying them as skills basic to good reading habits is probably all of the "re-training" needed to bring them to bear effectively as reading tools as well as writing tools.

The writer has found the following little three-by-five-inch-card form to be a very simple and very effective tool to increase the effectiveness of his own reading program.

The card, which has been filled in for this article, brings into use in a simple, natural, but functional way, the basic reading skills which we have just outlined. If the reader will take a little time to practice filling in a few such cards until he gets a feeling of freedom in their use, and then will take an extra moment or two immediately after each article he reads to fill out the card (and incidentally, it adds very little to the over-all reading time), he will have taken the second and third steps in the complete reading process which he would otherwise miss, and therefore lose the essential value of the time spent in reading.

Without use of the card, reading tends to be passive and use-delayed. Material once out of sight is easily forgotten or placed in our good-intention file, never to be brought back into use again. By using the card, the extra reaction to the reading which the card forces the reader to make while the thinking is still fresh in his mind, and the immediate judgment and evaluation which it forces him to make in terms of projected use, go a long way to insure that something constructive and productive will come from the time spent in reading.

This is just another way of saying that reading is only as effective as the use to which it is put. A careful examination of the card, front and back, reveals that it is a combination of a library card, a digest or resume of the article, and most importantly, a mental commitment of ways in which the article can be put to work.

The *Resume* section forces condensation of the article into the proper compression for easy evaluation of its worth.

The *Highlights* section of the card encourages the reader to single out the unique contribution of the author, particularly in terms of how that contribution ties into his own needs.

TITLE: Are You Reading on the Run? **TOPIC:** Reading Management

AUTHOR:

SOURCE:

RESUME: It's not how fast we read, nor how much, but rather how well we read that really counts. Reading pays dividends only when it results in a plan to **use** what we have read.

HIGHLIGHTS: A simple note-taking system can insure real value coming out of the magazine circulation lists—which now are too often a waste of executives' time.

FORM 2040 (12-19-55)

READING IMPROVEMENT CARD (Front)

QUOTES AND NOTES:

I. Reading to be useful must be:
   1. Purposeful
   2. Active—not passive
   3. Critical—not endorsing
   4. In tune with writer's plan
   5. Tied to own experience
   6. Applied to problem-solving

II. Reading skills can be learned:
   1. Condensing ideas
   2. Amplifying ideas
   3. Selecting the useful
   4. Applying to work activities
   5. Associating key words
   6. Generalizing and transferring

"Except for a few ragged individualists, a simple note-taking system can be worked out which will double the usefulness of what we read . . . and make it pay off."

USE: Executive development
LOCATION: Company Library

READING IMPROVEMENT CARD (Back)

The *Quotes and Notes* section on the back of the card gives the reader the opportunity to selectively bring out of the article interesting slants and viewpoints, short quotations which might be useful in talks, or research work, in addition to his own comments or notes of a critical value. In other words, this is the reader's work sheet in which he digests and assimilates the author's thinking and really makes it a part of his own experience.

The *Use* section moves the reader still further in the direction of final utilization of the material and forces him to review the possible areas where the article will have potential value both to himself, to his colleagues and associates, and in future situations which he cannot now foresee.

And finally, the *Location* at the bottom of the card ties down that extra bit of information which makes it readily possible to bring the article back into play for future use as needs may determine.

In the writer's experience the intelligent and practical use of such a *reading management* card is all that it takes to put enough system and purpose into the reading process to turn passive, indifferent reading into motivated, purposeful reading and to insure that the magazine circulation list begins to pay dividends.

SO FAR we have considered the reading management card as a reading tool to improve the effectiveness of one's own reading. However, it has other additional values which to some people may be more important than this primary value. For the manager who has a coaching responsibility for the development of his subordinates, the use of the reading management card has considerable guidance value in the development of the subordinate. One of the commonly listed techniques in industry used for the development of subordinates is the so-called "guided-reading" technique. This is the technique whereby the manager calls to attention of the subordinate certain articles, certain areas for study, and then throws to him the professional reading which is designed to give the subordinate knowledge and know-how in the desired field.

While such a technique of guided reading works out all right in theory, in actual practice it leaves much to be desired. However, if the subordinate who is to do the reading is trained to use the reading card as we have explained it, this card then becomes a bond of communication between him and his superior. It will give the superior certain insights into the subordinate's understanding of what he has read and the thinking process which he has gone through in attempting to turn the reading into practical use. It also offers the superior rich opportunities for extending the thinking of the article and adding in his own personal experience as a coaching step.

How often as a new man is thrown into his job is he called upon to read pamphlets, books, manuals, organizational histories, product stories, etc., as an orientation step in his induction. If the objective of the orginzation in asking the new employee to read this material is to have him to get something from what he reads, using the reading card can be an additional step to check his retention, to correct false impressions, and to get a more specific understanding of what he has learned from the process.

Used as a research step in starting new projects, a survey of the literature, by way of the reading cards which have been accumulated, provides an excellent first step and start in the right direction to be sure that the project gets under way with a broad understanding of what other people have done in the same field.

All in all, whether we use the reading management card primarily for increasing our own personal reading efficiency, or whether we use it as a coaching device for the development of subordinates, we have a management tool for turning our wasted reading time into an enriched experience which can be mutually profitable to us—and to our company. ■

S. A. M. Chapter Honor Roll

CONGRATULATIONS to the current leaders in the Chapters' Membership Campaign. Quotas attained to date are:

SACRAMENTO	350%	LOS ANGELES	55%
PUERTO RICO	266%	SAN FRANCISCO	54%
GREENVILLE	157%	WASHINGTON	43%
HUDSON VALLEY	140%	GREENSBORO	36%
PROVIDENCE	140%	CLEVELAND	31%
WILMINGTON	140%	RARITAN VALLEY	31%
CLEARING	137%	W. MASS.	29%
MONTREAL	133%	BINGHAMTON	21%
BRIDGEPORT	130%	GEORGIA	18%
MADISON	120%	INDIANAPOLIS	17%
FOX VALLEY	116%	DALLAS	14%
TWIN CITY	116%	PITTSBURGH	14%
BALTIMORE	115%	CENT. PENNA.	12%
COLUMBUS	100%	BOSTON	11%
KNOXVILLE	100%	NO. NEW JERSEY	10%
N. E. PENNA.	100%	READING	10%
W. NO. CAROLINA	100%	MILWAUKEE	9%
LANCASTER	86%	NEW YORK	3%
PHILADELPHIA	86%	CINCINNATI	2%
NASHVILLE	60%		

The author of this paper makes the prediction that, in spite of the tremendous savings already realized by Industry through improved material handling, a continued cost reduction is possible for management to achieve through the method he describes here—Enginomics.

Applying Enginomics For Better Material Handling

By Hamilton Beatty

Assistant General Sales Manager
The Austin Company
Cleveland, Ohio

My company, The Austin Company, has been offering, for more than fifty years, what we term "Undivided Responsibility" in the construction field. This means exactly what it says: we engineer, fabricate, and erect the buildings that modern industry needs; and often we go farther, selecting the economic site for our client's plant and installing in it the production equipment ready to start manufacturing.

It is this intimate association with our client's engineering and economic problems from the inception of his manufacturing plant to its final realization that makes us concern ourselves with your business and your products. In fact, there is hardly any engineering or economic determination we are called upon to make, anywhere between the earliest conference and handing our client the key to his new plant, in which some evaluation of material handling is not involved.

I'd like to throw a new word at you which some of us in The Austin Company have been using to describe clearly, curtly and concisely our day-to-day approach to our business; it is *ENGINOMICS.* The parentage of this hybrid is obvious, but its meaning is far more than mere economical engineering or even engineered economics. I don't suppose that we'll shake down to a final definition for a decade; but here, for what it's worth, is our first try at Webster's art: *ENGINOMICS:* "Engineering which is based primarily on the economic considerations of a specific project, as distinguished from mechanical, esthetic, or pre-conceived considerations, in which cost or other economic factors are not controlling influences."

It is in the field of Enginomics that the economical handling of materials most definitely becomes our business.

In St. Louis, where we constructed an office building by the "lift-slab" process, a dramatic application of efficient material handling was employed. The principle of a "lift-slab" operation is that the ground floor concrete slab is poured and finished first and each slab for upper floors poured and finished on it, and then, after being properly cured, each of the upper slabs is raised as a unit to its ultimate elevation. The process of raising a 65 x 90 foot slab weighing some three hundred tons, as we did in St. Louis is, in itself, no mean feat of material handling; but we used each finished slab as an elevator. Since each slab was to be lifted from ground level to its ultimate position, we assembled on each slab, while still at ground level, all the masonry materials —cement, brick, sand and block— needed to enclose that floor. In fact, we placed about two hundred tons of building materials on a three hundred ton slab and then lifted this five hundred ton mass to its pre-determined level, 15, 30, or 45 feet in the air.

We're doing a lot of other things on our construction jobs to mechanize material handling operations in the interests of economy and speed, such as using

A talk given before the annual meeting of the Material Handling Institute, Inc., on December 13, 1955.

HAMILTON BEATTY

Mr. Beatty joined The Austin Company in 1940 after ten years as a practicing architect in Madison, Wisconsin. A native of Madison and a graduate of the University of Wisconsin, he studied architecture at the University of London and subsequently worked with LeCorbusier, in Paris. Mr. Beatty is a member of the Ohio Society of Architects, and a member of the East Cleveland Planning Commission. He is chairman of the Cuyahoga County Sponsoring Committee of the Freedom Agenda, and has just been appointed chairman of the Greater Cleveland World Politics Discussion Program for 1956-57.

motorized concrete buggies, palletizing brick, and pre-bundling steel specialties and structural members. But that is a story in itself.

Here I will describe how we apply *ENGINOMICS* to our client's material handling problems.

First of all, from a material handling viewpont, we have found that we can divide all businesses dealing with tangible items into three classes:

1) Businesses whose primary function is material handling. (Railroads, barge lines, truck lines, express companies, the U.S. Post Office, grain elevators, etc.)

2) Businesses for which material handling is a major operation. (Wholesalers, warehouses, retail stores, mining, feed mills, etc.)

3) Businesses for which material handling is a necessary evil. (Includes practically all manufacturers.)

For every business listed, "material handling" is synonomous with the "problem of material handling." All, without exception, would be delighted to reduce their material handling costs. Their reason is fundamental: Handling material increases its cost, but not its value. In fact, handling material can decrease its value, through damage or spoilage. Admitting that material handling *is* a problem, how do we solve it?

Since all big problems are composed of a series of smaller ones—and this is particularly true of material handling on a plant-wide basis—the most important ingredient in our approach is to be sure we are encompassing the whole problem and not merely studying one part of it, no matter how large and important that part may be.

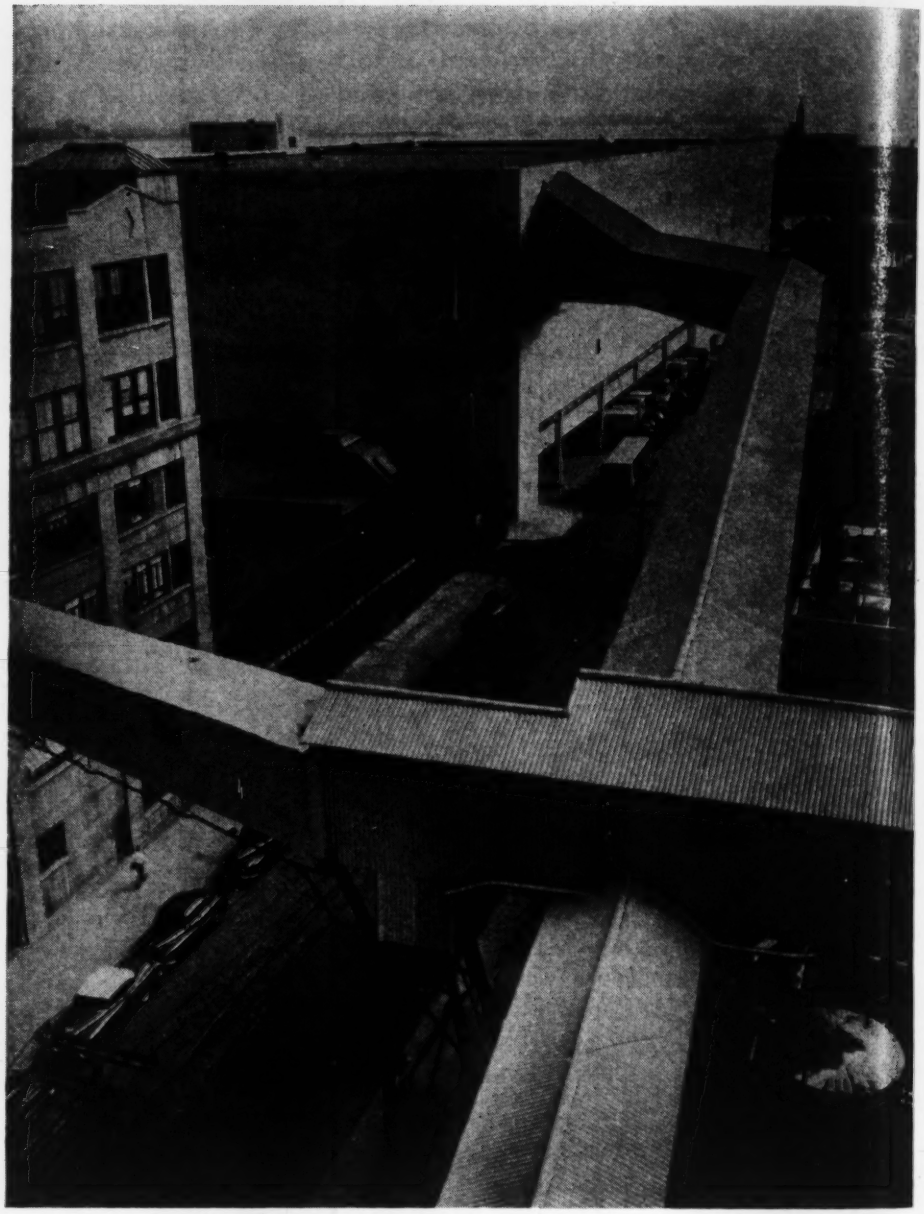


Figure A—This is part of the elevated structural-steel bridge network containing conveyor lines that carry finished products direct from the manufacturing buildings to Colgate-Palmolive's new soap warehouse in Jersey City, N. J. The new building (center background) receives the products at the third or fourth floors where they are automatically prepared for the palletizing machines. These automatic conveyor lines bring some finished products from manufacturing plans as far as three blocks away.

We believe the preferred approach to a material handling study for a new plant or warehouse, or the extensive modernization of an existing facility, consists of three basic steps:

1. Reduce the handling.
2. For the remaining handling, consider all possible methods.
3. Select the method and plan economical and practicable.

Since this analysis is the crux of the problem, a few comments are pertinent:

1. Reduce the handling.

This step is of fundamental importance. The ideal solution for any problem is to eliminate the problem. While material handling can rarely be completely eliminated, the movement can often be drastically reduced and this should always be considered first. This is the principle behind many studies for locating new plants or relocating existing plants—reducing shipping costs to a minimum by selecting a location that reduces the ton miles of movement.

2. For this remaining handling, consider all possible methods.

This step is obvious, but frequently slighted. To do this we must be completely familiar with the equipment which is available and the various methods of utilizing this equipment. But it is also vital that there be no hesitancy in exploring new and untried methods which may not be possible with existing equipment.

Not only should all methods and means of handling be considered, but at this stage a broad viewpoint should be maintained to include possible corollary benefits.

Here consideration must be given to the two phases of material handling: movement and storage. Should movement from one point to another include storage for work-in-process? Is there a more economical and satisfactory method of storage and how will it affect the choice of handling methods?

Here, also, is a chance for introducing economies by changing the form, shape or container in which material is handled. This often extends the problem back to the supplier, or ahead to

the customer. Will purchasing sheet steel in coils or sheets permit better handling? Should certain raw materials be palletized at the source for quicker unloading and storage?

The important point is that before moving into the cost analysis of the next step, we must be sure that we haven't overlooked any type of handling, or any changes in receiving, shipping, storage and production, which might produce economies.

3. Select the method and plan which is most economical and practicable. This step can be complicated by three difficulties:

a. Inadequate records of material handling costs;
b. The necessity of including items of building costs;
c. New facilities always include other benefits besides those to material handling.

A. Inadequate records of material handling costs: This difficulty isn't always present. Many companies keep very good records of handling costs and thus provide a sound basis for estimating potential savings.

B. The necessity of including items of building costs. When a piece of material handling equipment is replaced by a more efficient model, the changes in capital expenditures and operating costs are limited to a relatively few items. But when a new plant or warehouse is designed for improved material handling, many items of cost may be affected. For example, improved on-the-floor movement of goods may require wider aisles than previously; this additional building area must be included in the analysis, along with its lighting, heating and sprinklers.

Or higher stacking of material in storage may require a greater clear vertical height for the structure; this will affect square foot building costs.

Similar, although usually less extensive, structural and building service changes will occur in any vigorous modernization.

C. New facilities always include benefits besides those to material handling.

The reason for this is simple: there never has been a new facility built, whether improved material handling was its prime purpose or only a secondary objective, that did not also incorporate a host of other improvements. Invariably, and quite soundly, if you are building a new plant, you take that opportunity to improve employee facilities, lighting and ventilation, reduce maintenance, install better production equipment, usually increase the plant's capacity, and often move it to a better location.

OUR cardinal principle—reduce the handling—is essentially the application of *ENGINOMICS* at the planning level and we will examine several examples a little later.

Our second principle—for this resultant minimum handling, consider all possible methods—is really much easier to state than it is to apply. And this is because of that word *ALL—ALL* possible methods. Our greatest difficulty in trying to examine *ALL* possible methods used to stem from the fact that there was, to our knowledge, no ready and usable check list we could use as a yard-stick in this vital phase of our material handling studies. So sorely did we need such an analytical aid that we developed our own; and today The Austin Company is happy to share this segment of applied research by presenting the comprehensive chart entitled "A Basic Analysis of Material Handling." (See pages 16 and 17.)

Take a look at this chart and I'll run through it with you. And please remember that this is a device to ensure that all possible methods of applied material handling techniques are called up for consideration and study; it does not purport to displace *ENGINOMICS* in the selection of the best method, which is our third principle in carrying out a material handling study.

Description of chart: The first column on the left, labelled *SYMBOLS*, shows a series of formalized silhouettes which represent types of equipment and any resemblance to any specific piece of equipment made by any of your firms is purely coincidental. The next column is really the most important because it shows all the forms in which raw material enters a manufacturing plant; and upon thorough analysis, it evolved also as showing all the forms in which finished products leave a manufacturing plant.

Now, this far the analysis was easy, but when we started to move into the field of actually examining all the devices for handling materials the going got trickier. What were the factors which, in themselves, conditioned the use of material handling devices? And how could these controlling factors be defined, organized in chart form, and visually related to the *FORMS* of materials?

After considerable cutting and trying of different approaches, we came to the following conclusion: The selection of appropriate material handling devices is, in the first instance, controlled by these three factors:

1. The grabbing device.
2. The vehicle in which the material arrives or departs.
3. The task or movement required by the manufacturing process.

Taking up these factors in order, you see in the next vertical column the first selective process graphically illustrated. Grabbing devices are not universal in their application, although many are more nearly so than is generally recognized. It is at this point in our chart where affinities between *FORM* and *GRABBING DEVICES* show up and here we clearly recognize that a rope sling won't pick up sand, talcum powder, or gasoline efficiently.

The ideal manufacturing operation is one in which the raw materials arrive at the point, at the time, and in the quantities required; are transformed in size and shape as they move in a straight line and in a constant direction for the shortest distance; and the customer collects the finished product at the point and at the time it comes off the end of the line. Of course this is an unreachable ideal. The weather, transportation, quantity purchase, and type of material make surge tanks necessary and economical at the lead end of the manufacturing process; and customers certainly don't operate in this idealized fashion at the ends of industry's production lines.

HOWEVER, the actual manufacturing process, the entire operation between receiving the ingredients and shipping the product—all that goes on between the receiving and shipping docks of industry—can and must be controlled if costs are to be rigorously attacked. And it is in this area between entrance and exit that we had to examine the effect the task to be per-

A BASIC ANALYSIS

SYMBOLS

- PORTABLE POWER CRANES
- PORTABLE MANUAL CRANES
- CRANES-OVERHEAD
- MONORAILS
- HAND TRUCKS
- POWER TRUCKS
- PORTABLE CONVEYORS
- CAPSTANS
- LIFT TRUCKS
- CAR DUMPERS
- PUMPS
- PNEUMATIC SYSTEMS
- GRAVITY CONVEYORS
- ROLLER CONVEYORS
- BELT CONVEYORS
- APRON CONVEYORS
- PAN CONVEYORS
- DRAG CHAINS
- OVERHEAD CHAIN CONVEYORS
- SCRAPER CONVEYORS
- SCREW CONVEYORS
- VIBRATOR CONVEYORS
- PUSH-BAR ELEVATORS
- CENTER SUSPENSION LIFTS
- BUCKET ELEVATORS
- ELEVATORS
- SKIP HOISTS
- CHUTES
- CONTINUOUS TENSION
- FLOTATION
- SLUICES
- PIPING
- SKIDS
- SHELVES AND RACKS
- PALLETS
- HOPPERS
- TANKS
- VATS
- TROUGHS
- APPLIES HERE

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CLEVELAND

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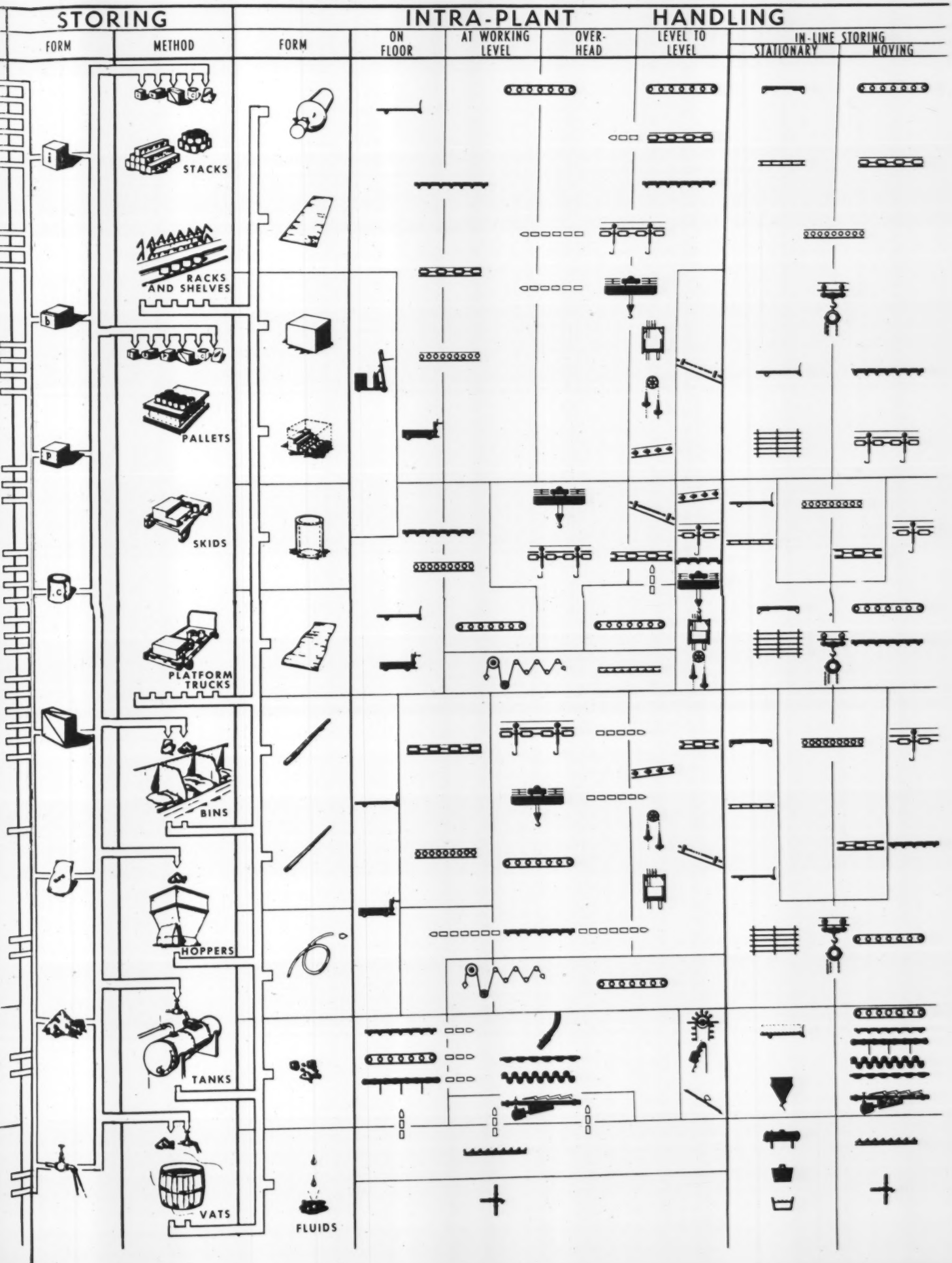
LOADING AND UNLOADING

FORM	GRABBING	BOX	FLAT	GONDOLA	HOPPER	TANK
INDIVIDUAL UNITS	SLING					
BUNDLES	HOOKS					
PALLETS	TONGS					
COILS	MAGNETS					
RIGID CONTAINERS	MANUAL					
NON-RIGID CONTAINERS	FORKS					
BULK	RAM OR HAIR-PIN					
LIQUIDS	SCOOP					
	HYDRAULIC OR PNEUMATIC					
	GRAVITY					

OF MATERIAL HANDLING



In Memoriam

It is with deepest regret that we announce the death of Channing R. Dooley, on June 25, 1956. Mr. Dooley was the founder and director of the Training Within Industry Foundation, Inc., and a member of the Society for Advancement of Management's New York Chapter.

formed had on selection of material handling equipment and how the shipping and receiving vehicles conditioned both ends of the manufacturing sequence. If you will now take a look at the remaining columns under the heading *LOADING* and *UNLOADING*, you will see how the vehicle which delivers incoming or dispatches outgoing materials, conditions the type of handling device, and produces the second screening point in our selective process.

Our analysis further showed that tasks and movements required by manufacturing and commercial processes universally classify themselves under the two main headings you see on the right-hand side of the chart: Storing and *INTRA-PLANT HANDLING*. The order of these two operations as they are placed on the chart has no significance since, as you are well aware, storing precedes, mingles with and terminates the manufacturing span.

SINCE manufacturing is principally dedicated to changing the shape of things, our chart had to recognize the difference in *FORM* of materials inside and outside of the manufacturing process and the spectrum of internal forms shows up in a column right next to *STORING*. So varied are the forms materials take in present-day manufacturing that we found it far easier to illustrate the various form-categories than to label or define them. At the top of the column we show what every manufacturer wants to handle economically, and what every one of you have had to wrestle with; *A THING*, awkward in shape, unbalanced in weight, bristling with protuberances, and practically impossible to grab hold of. The rest of the *FORM* column is simple by comparison; rigid and non-rigid sheets and bars; tote boxes; and other familiar forms.

The last selective classification comes with a determination of the plane in which intra-plant handling takes place and by recognizing this situation on our chart you will note how quickly one can sort out devices which can operate only in one working plane from those that have more universal application; and then establish the categories of devices which should receive detailed analysis and study in terms of the problem at hand.

WE have found this chart very helpful in organizing and analyzing material handling problems; and we hope that you will find it equally helpful in your studies of application of specific devices to specific problems. We know that it will intrigue you and suspect some of you will find a specific application that doesn't appear to be covered. For example, some one may know that more hopper cars of coal are unloaded with a car-dumper at tidewater ports than in any other fashion; and you'll not find the car-dumper symbol below hopper cars or across from bulk granular solids. Why not? Because when a hopper car is dumped it is not operating as a hopper car at all, but as a gondola. The chart often points out this sort of condition and always takes the problem back to basic elements, a big feature in any analysis.

With the selection of all categories of devices we are now ready to apply our third cardinal principle—select the method and plan which is most economical and practical.

The scale of the operation (diesel engines or egg-beaters?), the tempo of the operation (intermittant or continuous?), and the geography of the operation (one room or all over a million square feet?) will do the next screening on a physical and mechanical basis and reduce the areas which must be tested for their economics of operation.

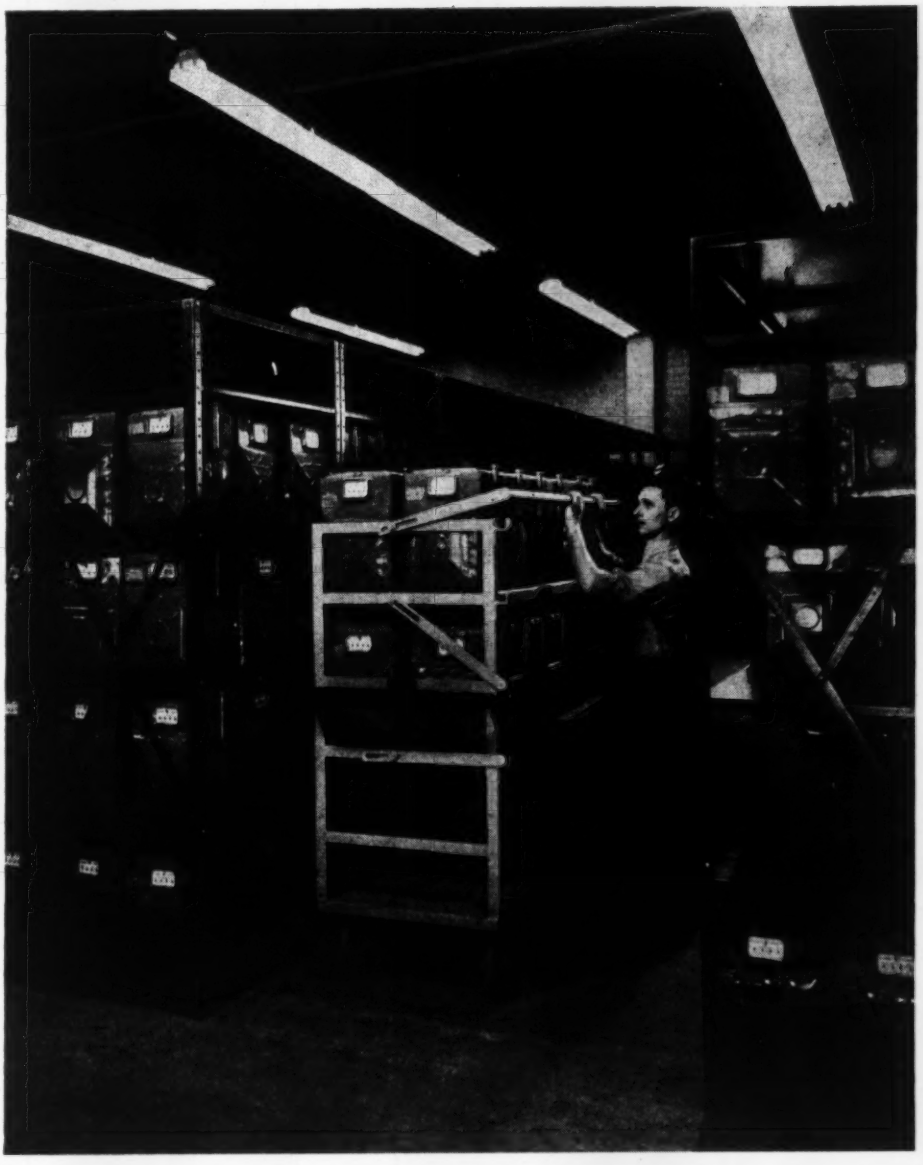
It is in this critical area of study that your industry can constantly increase your contribution to better material handling applications by furnishing more and better cost data. The more that those of us who are concerned with the design of manufacturing processes and the structures which house them can know, and know accurately, about costs, the better the applications of your products will be. Initial capital costs of equipment seldom tell the whole economic story and the more accurate information you can give us about operating and maintenance costs the more satisfied will be our common customer, and the lower will be his handling costs.

You may not realize it, but firms like The Austin Company are among your most productive salesmen. Too often your own people are asked to bid on equipment whose suitability for the task has been determined by the purchaser; anl you cannot be sure that the request is based on the best selection, because not all of the operating conditions are known or revealed to you. The situation is quite different, however, at the time The Austin Company is working with an owner on the design of his new plant. The integration of structure with process for lower costs clearly defines the conditions under which material handling must be done. This, of course, makes it easier for you to give intelligent advice on performance and the preferred piece of equipment for the task; but it also imposes on your application engineers the need for wider case-history experience and documentation, accurate operating and maintenance cost data, and imagination and ingenuity in solving industry's needs.

This is a most critical stage in the evolution of a new manufacturing plant because it now begins to take physical shape and such basic decisions as clear height, width of span, shape of building have to be made. If we, with your aid, have done a good job of integrating process, handling equipment, and structure, we'll have a satisfied customer.

IN December 1955 *FACTORY Management and Maintenance* there is an excellent special report entitled "Building to Fit Your Handling Job." The opening section is most revealing. It points out that existing structures produce two-thirds of the handicaps manufacturers face in attempting to improve their handling of materials; and cites such characteristics as "multi-story construction, inadequate flooring, low ceilings, columns too close and so on." There is no doubt that these are real handicaps to better handling installations, but, from our own experience, we know that these same factors are equally limiting in replacement of manufacturing equipment with newer and more economical models. We will be doing our client a real service if we integrate his process with your equipment and with our building.

I would now like to illustrate some of the points we have discussed by a few examples of modern commercial and industrial facilities, in each of which improved material handling was an important objective. The Field Operations



Figures B and B-1—Especially designed mobile racks facilitate the handling of gas and electric meters between the meter shops, testing and storage areas and the loading area where trucks which handle all of Quebec Hydro's service calls stock up in record time.

Center of the Quebec-Hydro-Electric Commission, in Montreal, is a fine example of a facility designed primarily for economical material handling. This is the service center for this large utility, which has 400,000 power customers and 250,000 gas customers. All repair, service and field work is handled from this building. It contains a large garage, storage areas for materials and equipment, gas and electric meter shops, repair shops, inspection and testing departments, a general office and—outside—a large storage yard for pole and pipe.

These facilities, now concentrated on one centrally located, 32-acre site, were previously scattered in a group of obsolete buildings in the congested downtown area. The choice of the location alone resulted in a 20% average saving in travel time to and from the field jobs.

In designing the new facility, each department and operation was studied to secure maximum operating efficiency. Material handling methods vary widely with the kind of job that has to be done: overhead traveling cranes, fork lift trucks, specially designed manually operated four-wheel trucks, and a yard crane with a 55-foot boom.

Some of the economies are interesting. It used to take 2 to 3 hours to load poles on a pole-trailer; now it takes a half-hour. Previously, to unload a carload of poles, required 8 to 12 hours for 10 to 12 men, now takes 8 hours with 4 men.

Loading and dispatching service trucks now requires 25% less time; and the meter departments handle a 30% increase in volume with lower unit costs.

Probably the best overall measurement of improvement is the fact that the volume of material handled by this Center is three times what it was four years ago in the old quarters, but the personnel has only increased 50%.

A radically different problem was that presented by F. & R. Lazarus & Co., who wanted a new bulk service warehouse for their department store in Columbus, Ohio. This warehouse handles items such as furniture, appliances, floor coverings, radios and television sets, bicycles and similar bulky items; it also contains the repair and service departments for such articles.

Previously, Lazarus carried on these operations in four separate multi-story buildings. Expressed in their own words, the problem was:

" . . . we have tried to handle bulk merchandise in buildings not spe-

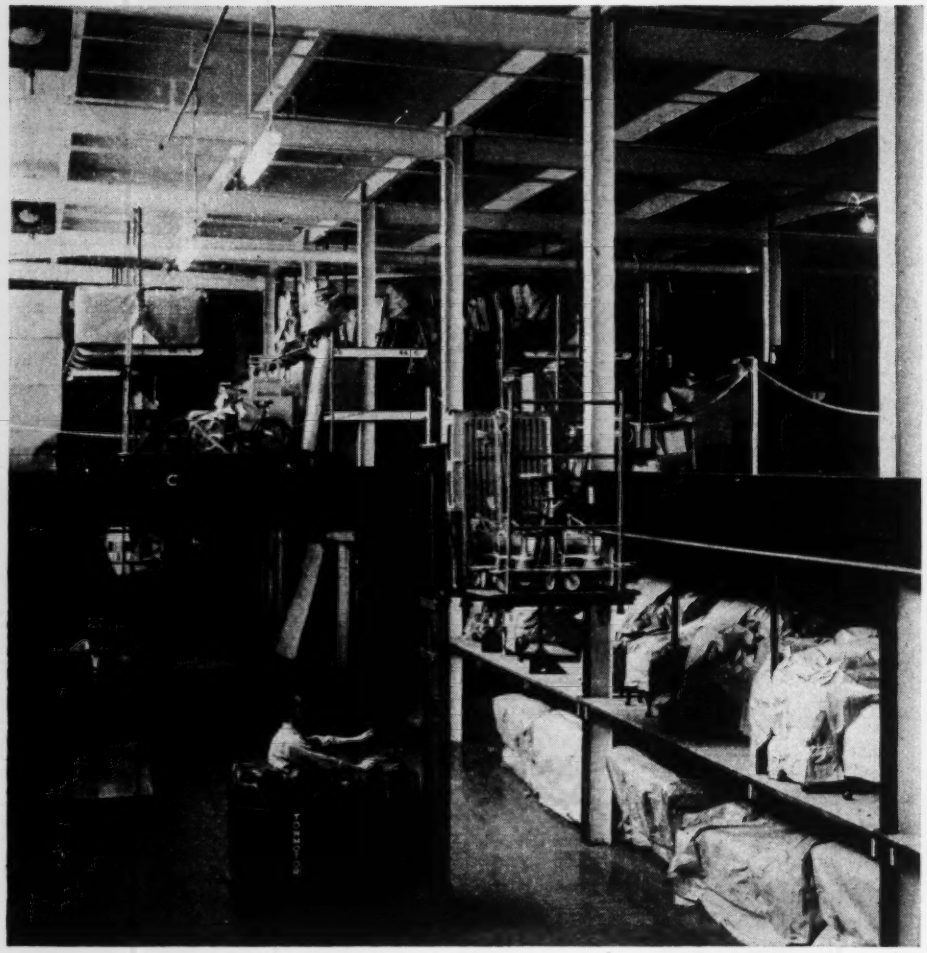


Figure C—A Mezzanine Deck overcomes the difficulties inherent in a one-story operation. Storage and processing facilities are provided, but without ramps or elevators. Goods on dollies or floats are placed on or taken off the mezzanine deck with fork trucks.

cifically designed for it. We've had to move one lot of merchandise to get at another lot of merchandise. We've hauled goods for miles to get it out of the box car, and into storage, and out of storage and onto customer delivery. Besides the time-consuming inconvenience of this moving around, we've damaged merchandise, lots of it, because most of it just isn't designed for a life of travel. . . ."

Here, obviously, the major problem was: reduce handling and movement.

THE study of old operations, item by item, revealed the opportunity to design a warehouse with over a quarter million square feet, in which most of the merchandise—from receipt to delivery—would move about 300 feet. This was accomplished by three decisions:

1. Use of a long, narrow building plan. The receiving and shipping areas are along the length on opposite sides of the building. Between them is the storage area—only 200 ft. in width.
2. Use of a mezzanine in the storage area.
   This mezzanine divides the building *vertically* into two 10-ft sections and permits full use of the cubage, without requiring merchandise to be lifted to unwieldy heights.
3. By having incoming merchandise delivered immediately adjacent to its point of storage. This was one of the most effective means used to reduce handling and movement. It was noted that most incoming deliveries were carloads or truckloads of similar merchandise, items which would all be stored in the same area.

Therefore, the receiving area was extended the full length of the storage area and 13 receiving doors were provided. The railroad is advised at which door to spot each car so that its merchandise will be adjacent to its point of storage. Similarly, incoming trucks report their contents at an outdoor speaker and are then told at which receiving door to unload. By this simple plan, most of the normal movement, from a conventional receiving department to storage, is accomplished outside the warehouse in carload or truck-lots—and at no cost to the owner.

Another unusual feature of this warehouse is that the mezzanine is open along its complete length. There are no elevators and merchandise to be stored on the mezzanine is placed on wheeled floats, which are raised by fork lift trucks.

Complete flexibility in allocating storage areas was a necessity and was secured with adjustable shelving and the use of lift trucks and floats pulled by tractors. In certain areas, where fixed paths of movement were desirable—as in the carpet storage and workroom area—roller conveyors and monorails with electric hoists were used.

FROM the viewpoint of capital expenditures, this warehouse gives an important lesson—a much more costly warehouse could have been built, but it would have produced no lower material handling costs; a less expensive warehouse could have been built, but its economy would have been less because of higher costs for material handling and maintenance.

The design finally adopted was the one which held the promise of producing the largest return (including *all* costs) for the dollars invested. This promise has been fulfilled. Some instances of actual savings are:

a) Substantial savings on inbound freight costs; examples: on stoves, a 17% reduction; on mattresses, a 64% drop.
b) Loss and damage to merchandise has been cut 63%.
c) Payroll for delivery men reduced 7%.
d) Payroll for receiving, checking and reserve stock handling has been cut 11%.
e) Special delivery costs (by non-Lazarus trucks) have been slashed 73%.

Many other economies can be listed, but one extremely important benefit cannot be easily converted to dollars—the effect of better service in helping sales. This one feature alone would probably have been sufficient management justification for the new facility. Formerly, Lazarus often required four to five days for delivery service on bulk merchandise. Today, two-day service is routine and 24-hour service is given, if the customer asks for it.

There has been a lot of talk about

using the air-rights over Penn Station right next door for a gigantic new building complex. The new warehouse we designed and built for Shoe Corporation of America, in Columbus, Ohio, uses its inside "air-rights" uniquely for the movement, storing and re-use of shipping cartons. As incoming merchandise cartons are emptied they are placed on hooks on the same conveyor that hauls the "trolly" trucks which move the merchandise. These hooks carry the empty cartons to an ingenious pick-off that transfers them to a plow-equipped belt conveyor that dumps them onto a huge storage apron at the packing stations.

This new Distribution Center for Shoe Corporation is a good example of the integration of structure and handling and was the result of an Austin Study and Report of the type I have been describing, as were the other examples I have chosen today.

The three buildings we have looked at have all been warehouses because a warehousing operation has all the handling problems of a manufacturing operation with the manufacturing left out right in the middle of the sequence of movement from receiving to shipping. Because of this, handling costs are subjected to much closer scrutiny, and inefficiencies in handling are not concealed by added value of manufacture.

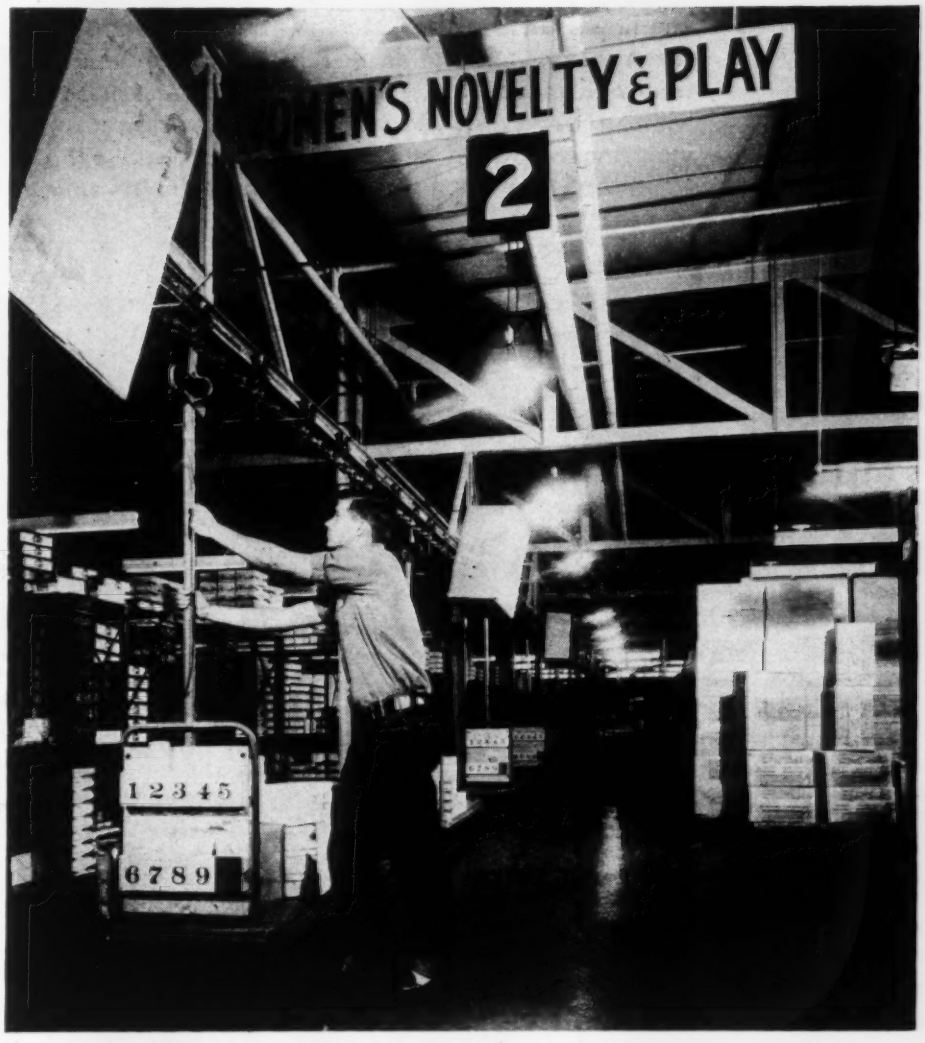


Figure D—This 1,200 lineal feet of the 1,320 foot drag link overhead conveyor is used to distribute incoming merchandise and to fill orders for shipment to retail stores at the Shoe Corporation of America's new Austin-designed Distribution Center at Columbus, Ohio. The operator is unhooking a float at Dept. 2 in response to the signal given by the slip in the numbered pocket of the float. Items picked up in Dept. 1 are already aboard the float, which will proceed to Dept. 9 after the merchandise called for in Dept. 2 has been assembled.

In order to round out the picture I will describe, as a final example, a manufacturing plant that was built to reduce handling costs—that of the Lincoln Electric Company, Cleveland manufacturer of welding machines and welding electrode. Lincoln had a modern plant but it had grown, in stages, until something drastic was required if Lincoln was to effect the economies it visualized from an efficient handling layout. Therefore, an eight and one-half million dollar capital expenditure was made, justified solely by improvements in handling.

The result has been referred to as "a stock room with a built-in factory." The building has columns spaced 60 ft. by 40 ft. Aisles are not provided for access to the machines, but for the stock. In the center of each 60 ft. bay, there is an aisle with stock on either side—usually on roller conveyors which carry it toward machines and assembly stations along the longitudinal power conveyors adjacent to each line of columns.

The layout and handling studies required about two years, and from these studies evolved three basic principles which were strictly adhered to:

1. The location of the machines and their operators was determined by the weight and minimum movement of materials.
2. No piece is handled twice in the same form.
3. (Actually a corollary of the above.) When material is moved, it is always set down at the next point of use.

In practice, what these principles mean is that incoming materials and components are moved from the trucks of freight cars directly to the machines which will first use them; after that first operation on the material, it is then moved directly to the next machineing or assembly operation; and so on, through the plant. With the movement thus reduced to a minimum, the remaining materials handling is performed with maximum efficiency by a plant-wide interconnecting system of overhead cranes, jib cranes, lift trucks, roller and power conveyors and a variety of specially designed equipment and containers.

As a result, there are stockpiles all over the plant and no intermediate handling of materials from machine to stockroom or vice versa. Inventory control is completely visual.

All four of the buildings have taken their shape because of the methods selected to handle materials within them as part of the total operation for which they were designed and constructed. And all of them have material handling equipment completely integrated with their structural frames. All of them are the result of our *ENGINOMIC* approach. ■

The importance of good letter-writing is something that is too seldom taken into consideration in business offices. A good letter can save time and induce a feeling of goodwill and friendliness in the reader, while a badly written letter may waste the reader's time, thereby incurring his wrath and leaving in his mind a bad impression of the writer and his company. The author of this article offers a few examples of both types.

Letters Say More Than You Think

By Erwin R. Steinberg

Associate Professor of English
Carnegie Institute of Technology
Pittsburgh, Pa.

ARTICLES which discuss letter-writing programs usually defend or promote them on the basis of efficiency. Adequate letter-writing techniques, the argument generally goes, save the time of a person dictating. Well-written letters are generally shorter than poorly written ones and thus save typing time. A good inter-office memo makes its point more quickly and more surely than a poor one and thus saves reading time. A letter that communicates effectively does away with the need for the all too-frequent letters of clarification that waste time not in minutes or hours but in days. And time lost means money lost. All these arguments, of course, are valid; and letter-writing programs can and do make letters more efficient. The series of examples below will show that greater efficiency.

But there is another reason for clearing away the tangle of unnecessary words and outmoded phrases that clutter up much of today's business correspondence, a more subtle reason, perhaps, but a very important one. The reason is that whether they realize it or not, people judge a letter-writer as they read his letter; for a letter reflects a personality. Sometimes it reflects truly; sometimes not. But whether a letter really reflects the writer is the writer's problem; only he can control the situation. Thus if the reader gets the wrong idea about him from his letter it is the writer's fault, not the reader's, since the letter may well be the only basis for opinion that the reader has.

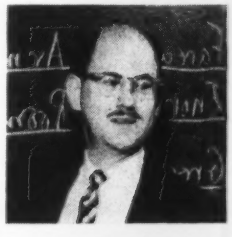
Sometimes, too, a reader unconsciously assigns his opinion of a writer to the company that the writer represents. An unfortunate correspondent, therefore, is a constant source of bad public relations. And even worse, his letters may be taken as testimony of his company's inefficiency, stodginess, or even obsolescence—even though that company may be the most efficient and up-to-date concern in its field.

What can one tell about a writer from his letter? Actually, the reader of a letter can decide a lot about the writer of it from the very first sentence. Take, for example, a letter which begins:

> *In reply to your letter of July* 19, *in which you state that you received* 2 *only No.* 608 *bottles (blue) with white stoppers and* 2 *only No.* 609 *bottles (white) with blue stoppers, each pair of bottles packed and shipped separately, we have questioned our order and shipping departments closely to discover the reason for the bottles reaching you with the wrong stoppers and in different shipments even though they were ordered by you on the same order for shipment at the same time by the same carrier so that you could most conveniently reship same to your customer as soon as they arrived without any loss of time or unnecessary confusion and without having to store one pair of bottles until the second pair arrived.*

Fortunately, not many people begin a letter that way. But many of them do load their opening sentence with too many unnecessary details.

There is no need to begin a letter with a complete summary of the letter being answered. If the man doesn't remember what he wrote, he will probably



ERWIN R. STEINBERG

For the past five years Mr. Steinberg has been a communication consultant to Industry. He has taught at Carnegie Institute of Technology for ten years, been an Associate Professor of English since 1946. He is also Head of the Department of General Studies at Carnegie's Margaret Morrison Women's College. He is the author of many articles on communications.

want to look at his file on the matter even if the answering letter summarizes his original letter accurately. For such a man, therefore, a writer need only supply in his opening sentence enough information for his reader's secretary to find the proper file: the date of his letter, the item to be discussed, and the order or shipment number.

And what if the reader does remember what he wrote about in his initial letter? Or what if he has trained his secretary always to bring him the proper file with each incoming letter? At best he will think that the writer of the opening sentence quoted above is overcautious and stodgy. At worst, his comments about him may be unprintable. For the writer is wasting this reader's valuable time.

The writer of such an opening sentence may also be doing himself a further disservice. The people with whom he corresponds regularly may get into the habit of skipping his opening sentence because they know that it merely summarizes what they wrote to him. Such a practice could result in their missing an occasional important piece of information at the beginning of his letter. His openings could also encourage them to skip-read all the way through his letters with even more disastrous results.

A LESS obnoxious opening sentence might begin: "We are in receipt of your letter of November 22 concerning ten-ton trucks;" or "This is in reply to your letter of November 22 concerning our ten-ton trucks." Certainly these two sentences are better than the lengthy one quoted above. They don't play back to the customer an unnecessary recording of what he asked. But they don't say much either. They just tell him: "We're ready now to talk to you about your letter of November 22." He has started to read; but the writer hasn't said anything yet. Another version of this opening is: "Please refer to your letter of November 22 concerning our ten-ton trucks." And a slightly better version is: "Thank you for your letter of November 22 concerning our ten-ton trucks." At least in the last example the writer has thanked him in addition to telling him that he is about to say something significant. All of these openings, however, are liable to make the reader feel that the person who wrote them doesn't know how to get down to business, likes to chat when he should be working, takes too long to shift gears, or is too lazy to think about what he's saying and just reaches for a rubber-stamp opening.

A still better beginning sentence is: "With reference to your letter of December 13 concerning our Flat Black Paint, we can supply the 10,000 gallons you want." Other versions of this opening are:

In reply to your letter of . . .
As requested in your letter of . . .
In line with your letter of . . .
Complying with your request of . . .

Such openings, at least, get off the ground. They give the customer the information he wants. The trouble with them, however, is that they are still rubber-stamp beginnings. They identify the writer as a man of little imagination, content to rely on old formulas.

MOST letters can start moving with the very first word: "We can supply the 10,000 gallons of Flat Black Paint requested in your letter of December 13." Such a sentence not only starts quickly and avoids rubber stamps, but it is also considerably shorter than the "With reference to your letter of . . ." sentence. Again, why say:

This is in reply to your letter of June 8 regarding the Carbon Dioxide Absorption Bulbs which you supplied on the above purchase order. I wrote to our customer in an effort to have him reconsider and accept this material.

Why not say:

When we received your letter of June 8, I wrote to our customer in an effort to have him reconsider and accept the Carbon Dioxide Absorption Bulbs which you supplied on the above purchase order.

A letter which opens:

With reference to your letter of June 30, we wish to inform you that the gear pump which you sent us for repairs against your purchase order No. 6542 has already been repaired by the factory and returned to you within the past week.

could better begin:

The gear pump discussed in your letter of June 30 and sent to us for repairs (your order No. 6542) has already been repaired by the factory and returned to you on November 7.

The second opening sentence in each pair suggests a writer who is aware, flexible, and interested in what he is doing.

Rubber stamps plague too many business letters. Letters of transmittal generally begin "Enclosed please find" or even "Enclosed herewith please find." "Enclosed are," however, is certainly sufficient.

Rubber-stamp endings are just as bad. Any of the following could be taken from one letter and put on another and say just as much or as little:

Thank you for your cooperation.
Thank you for your kind cooperation in this matter.
Thank you for your consideration and cooperation.
Your cooperation will be appreciated.
Your fullest cooperation will be appreciated.
Your fullest cooperation will be greatly appreciated.
Your prompt cooperation will be greatly appreciated.
Your prompt cooperation and consideration will be greatly appreciated.
Thank you in advance for your cooperation.

If these endings are intended to request an early or an immediate reply, the writer could have said instead: "I would appreciate your reply by November 24, the beginning of our next accounting period," or "Could you let us have the necessary information as soon as you hear from your customer?" If

CHAPTER MEMBERSHIP STANDINGS

as of June 1, 1956

New York	406	North Alabama	74
Philadelphia	377	Georgia	73
Northern N. J.	355	Columbus	72
Cincinnati	307	Knoxville	70
Lancaster	276	Richmond	69
Chicago	275	Reading	65
Cleveland	265	Trenton-Del. Val.	65
Pittsburgh	243	Clearing	63
Washington	200	Alabama	62
Detroit	199	Greenville	58
Boston	192	Hartford	54
San Francisco	171	Central Pa.	53
Milwaukee	164	Calumet	52
Dallas	145	Western Mass.	50
Los Angeles	141	Twin City	46
Worcester	121	Charlotte	43
Indianapolis	120	Fox Valley	43
Montreal	118	Central N. Y.	42
Western N. C.	114	Lehigh Valley	40
Hudson Valley	108	Madison	40
Raritan Valley	108	North Miss.	37
Long Island	103	St. Louis	36
Baltimore	101	Athens	33
New Haven	100	London and Dist.	33
Binghamton	99	Nashville	33
Greensboro	94	New Orleans	33
Kansas City	91	Northeastern Pa.	32
Sacramento	84	Portland	26
Wilmington	80	Louisville	15
Bridgeport	79	Stamford	15
Dayton	77	Non-Chapter	95
Puerto Rico	77	Non-Resident	85
Providence	75		

S.A.M. MEETING DATES 1956-1957

Executive Committee Meeting—September 15, 1956
Board of Directors Meeting—October 27, 1956
Executive Committee Meeting—February 2, 1957
Board of Directors Meeting—April 27, 1957
Executive Committee and Board of Directors Meeting—June 15, 1957

the letter requests some other sort of action, the concluding statement might better end specifically: "We would appreciate it, therefore, if you would submit your orders in the future on the enclosed forms," or "I hope that you'll be able to reroute your trucks soon so as to help us stop our local traffic jam." And if the body of the letter doesn't ask the reader to do anything, then there's no point in its conclusion asking for his cooperation.

ANOTHER group of time and money wasters is:

If we can be of further service, please do not hesitate to call upon us.
If we can be of further service to you please do not hesitate to write us.
May we have the pleasure of serving you further?
If we can be of further assistance to you, please get in touch with us.
If we can be of further service to you, please do not hesitate to let us know.
Please do not hesitate to let us hear from you if we can be of further assistance to you.
May we be of further service to you?
If we can be of further service to you in any way, we will be glad to hear from you.
Please do not hesitate to write to us when we can help you.

Why not be more specific?

We would be happy to send you information about our other tractors, should you want it.
I am always happy to consult with you about the installation of one of our presses.
Please call me if ever our equipment should fail to live up to our guarantee.

No one reads rubber stamps anyhow. Furthermore, a writer who tacks them on only indicates to his reader that he is neither considerate nor efficient.

The tone of an opening sentence also tells something about the writer. Take the following as an example:

Dear Jim:
Please be advised that we are ordering herewith 3000 *each Man-Ray tank assemblies, No.* 724.

Aside from the fact that the words "Please be advised that" and "herewith" are unnecessary, the letter is an insult to the reader. If the writer knows the person to whom he is writing well enough to call him "Jim," he shouldn't address him in such high-hat, formal language. "Please record our order for 3000 each Man-Ray tank assemblies, No. 724" is not only shorter but more friendly. And "We'd like to order 3000 each Man-Ray tank assemblies, No. 724" is even more in keeping with "Dear Jim." The writer of the following offends in a similar way:

Dear Bob:
This confirms our comment of last Thursday when we congratulated you on the beautiful product you will have on the market in 1956.

A man who knows the person to whom he is writing well enough to call him "Bob" shouldn't use the cold, formal, editorial "we." Nor do people 'confirm" congratulations; they confirm orders or telephone conversations. The writer's reaching for the rubber stamp with which to open his letter merely indicates that he is really not interested enough in his "friend" to think about what he is dictating.

THE writer who wrote the following shows that he isn't sure either of his relationship with the writer or of his use of language to know what tone to adopt or how to maintain it:

Dear Harry:
We wish to acknowledge your letter of December 29, *and are glad to have the opportunity to give you a report on the picture displayed by our crystal ball.*

"We wish to acknowledge . . ." and "are glad to have the opportunity" are cold and impersonal. "Dear Harry" and looking into "a crystal ball" are friendlv and informal. The combination suggests an uncertain or even an insincere writer. Few business men would want to deal with either.

Why do writers use such beginning sentences and thus invite the disrespect or even disapproval of their bored readers? There are several reasons. Some people think, for example, that rubber-stamp phrases are "proper." They don't wear the formal high collars of the 1890's, but they use the formal language of that period. Other people just don't pay any attention to the language that they use. Still others feel that they are too important "to waste their time" on polishing an individual letter or on looking at their writing long enough and often enough to keep it efficient. The writers of such opening sentences, therefore, indicate to their readers either that they are old-fashioned, inattentive, or inconsiderate—or all of these. Many letter-writers, too, open their mouths to dictate before they know what they want to say. The result is that their first words are either a stalling for time, a pawing in the air for ideas, or just plain static. Stalling, pawing, and static all indicate that a man is standing still or making unnecessary noise. None of them indicates a man with whom it would be profitable to do business.

ALL examples discussed above have been opening and closing sentences. Imagine, then, how much more deadly is a whole letter which contains such faults—and many more—throughout. How a writer deals with the core of his problem is even more indicative of the type of person he is than how he approaches it and how he leaves it.

Some executives may write very formal, wordy, or pomous letters because they themselves are really very formal, wordy, or pompous. Many more, however, write them because they were trained to do so. The people under whom they broke in as young men wrote that way and they unconsciously copied the style. Still others have the mistaken notion that such writing is "polite" or "proper." The reader of a letter, however, cannot tell whether its writer is really incompetent or merely misguided. Even worse, it may not occur to him that there is any reason other than incompetence for a very formal, wordy, or pompous letter. There generally is no question of giving the writer the benefit of the doubt because there is no doubt. For the same reason there is no doubt in the reader's mind about the company that such a man represents. Both the writer and the company may be as modern and as efficient as next year's electronic calculator. But if the executive's letter doesn't demonstrate that modernity and efficiency to the customer, the sales and production departments of the company may never be given the opportunity to demonstrate it either. ■

A carefully planned and then well executed educational program directed toward your shareholders and the financial community at large will achieve many benefits for your company. The confidence, good will and accordingly the active support of your present shareholders may be secured, — a valuable asset in the event of a future proxy contest. The ownership of your presently outstanding securities may be expanded among conservative investors across the country. With increasing investment interest, the quoted market price for your securities may more fairly reflect your company's present and reasonably prospective future business prospects.

More Effective Shareholder Relations

By Harold W. Danser, Jr.
Managing Director
Shareholder Consultants
Boston, Massachusetts

THE pages of the financial press each day give example after example of the growing importance of effective shareholder relations. You read that one company seeks approval of its securities holders at their next meeting of a change in capitalization. A second company announces an offering of stock purchase rights which are being presented to its shareholders in order to raise a substantial sum of new working capital required in its growing business. Still, another company, its shares relatively unknown and selling well below book value, is faced with a threat to its present management by an opportunist raider group which lately became a small shareholder and which now seeks the support of the many public shareholders in a fight for control of that profitable company.

Deep beneath each such current news account lies the interesting and more fundamental story of the success or failure of that company's program of financial relations. Such events will soon measure how well each company has previously developed and then executed a carefully planned, broad, effective and continuing program in that field.

A dynamic shareholder relations program constitutes a connecting bridge spanning the distance between management and the shareholders. As such, it should not be a passive, indifferent, casual assignment given to a junior staff member, to be considered by the President only upon the occasion of the annual meeting or an interim crisis. Rather, it should be an important, positive responsibility of a senior executive officer of the company, generally the President or Chairman, requiring a portion of his continuing personal attention all through the year.

To be effective, such a program should be an ethical, dignified, long-term educational effort to reach, first, all the company's current security holders throughout the country, and second, the financial community in the principal cities across the nation and thereby the corporation's prospective security holders.

The scope and complexity of any individual program must be engineered and designed with a view to the many varying factors inherent in any one particular company. These include such matters as the size of the company, the types and classes of interested security holders both individual and institutional, geographical areas in which its securities are now held as well as areas where it is deemed they should be held, the company's potential future capital requirements both as to debt as well as equity financing, the types of services or goods in industrial or consumer fields produced by the company, and the nature of the market for its securities, either listed or unlisted, active or inactive.

Contemplating the financial programs of many corporations, Mr. Frank W. Abrams, Chairman of the Board of Standard Oil Company (New Jersey) has observed that: "Businessmen are often ineffective in the field of stockholder relations simply because, being businessmen, their principal training is in the field of facts and figures. They sometimes overlook the fact that human life does not move entirely by reason. Sentiment and emotion play very large roles. It follows, then, that people's

HAROLD W. DANSER, JR.

Upon graduation from Harvard University in 1937, Mr. Danser went into the investment banking business. From 1945 to 1955 he was President of Ultrasonic Corporation, a New England advanced electronics engineering and development company. Mr. Danser is presently serving industrial clients as a management consultant.

support is not always gained by logic and argument alone." Let us then consider some of the other factors which do induce the support of shareholders.

THE many printed and typewritten reports prepared and mailed in a year by the company constitute its primary channel of communication with its present shareholders. While the company officers preparing such material understandably are quite interested in their own mailings, they must never forget that such literature must compete for the proper portion of each shareholder's attention in the face of similar pieces he is receiving all year from perhaps dozens of other companies whose shares he owns, to say nothing of the deluge of miscellaneous non-financial literature deposited daily upon him by his letter carrier.

The single most important contact, of course, is the annual report. In fact, the President of Eastman Kodak Company, Mr. Albert K. Chapman, has commented: "At Kodak we approach the annual report as the most important general publication we put out—and its production as one of our most exacting communication jobs. No piece of business literature, as I see it, must convey so much understanding—of so many subjects—to so many people as the annual report. It must be the story of a company's problems, practices, policies, its achievements and failures of the past, its hopes and plans for the future. All this must be told within a few pages, compact yet complete."

It is important that a major effort by the responsible people throughout the company be expended in the preparation of a modern report. While the format of the annual report will properly vary in the instance of any particular company, nevertheless it is currently believed that a modern report should generally contain certain features substantially in this sequence:

1. An attractive cover design or illustration indicating the company's primary business activity. A photogenic and well labeled cover will appeal to the reader and stimulate him to peruse the report further.
2. Pictures and brief sketches of the business background of each director as well as pictures of each officer. The shareholder instinctively feels closer to his directors and management when he can actually see all their pictures and read about the directors' other corporate interests and experience.
3. A table of contents. This permits the hurried reader to find quickly just what he seeks.
4. A summary of highlights of the year's results. The shareholder unfamiliar with detailed financial statements, as well as the casual reader, may find on this page at a glance the salient dimensions of the financial position, operating results and business backlog of the company, all compared with the previous year.
5. A brief and interesting statement of not more than two pages over the signature of the President or Chairman, discussing trends and the future business outlook for the entire industry and particularly for the company, if possible treating with future dividend policy, long range business objectives and management philosophy.
6. A full and adequate narrative section on each major aspect of the company's present activities as it may have a bearing on the company's future growth.
7. Financial statements in two year comparative form, including complete notes and auditor's certificate.
8. A ten year detailed table of comparative operating statistics, with a full range of data presented on a gross, per share and operating ratio basis, the particular data, of course, varying widely from industry to industry.

TO achieve a readable report which will carry maximum investor impact, the annual report should make appropriate use of color, of charts, graphs and maps to portray trends, ratios and distributions, and of pictures of the company's plants and processes, its products and their uses. The annual report, both in its content and its manner of presentation, should clearly catch and reflect that intangible—the essential character and spirit of the company, whether it be conservative or progressive, already mature or still growing, and enjoying established products or developing new ones on the frontiers of science.

There has been a growing awareness on the part of management of the importance of publishing a truly modern annual report. The interest has been sparked by *Financial World* which, commencing in 1941, has sponsored each year a survey covering some 5,000 annual reports of companies whose securities are rather broadly held throughout this country, Canada and Latin America. A screening committee of security analysts carefully reviews all these entries each year, deciding upon those that properly exemplify the tenets of modern annual reporting. As Figure 1 portrays, the number of reports rated "modern" has increased steadily over the past two decades to 38% of the total judged. Some 62% of all the reports studied and evaluated, however, are still deemed "below standard," manifesting on the part of the management of over three thousand corporations an apparent indifference to their most important link with the holders of their securities.

THE especially outstanding modern annual reports recently selected by the board of judges of *Financial World* comprise the following:

Best of all transportation (and best of all industry) — The Pennsylvania Railroad Co.
Best of all manufacturing—Marquette Cement Mfg. Co.
Best of all merchandising—Radio Corporation of America
Best of all public utilities—Dayton Power and Light Co.
Best of all financial institutions—Insurance Co. of North America.
Best of all consumer goods—Container Corporation of America.
Best Canadian—Dominion Stores, Ltd.
Best of all Latin American—Brazilian Traction Light & Power Co.

An indication of the improvement in annual reporting is suggested by the comparison in Figure 2 of the appearance of some of these award winning reports with those of the same corporations dated in the late 1940's.

Readers personally interested in studying the many excellent features contained in these especially outstanding reports might well write to the companies for copies in order further to improve their own future work. It is also suggested that the reader obtain copies of annual reports from the maximum number of companies identified with his own particular industry, in order to study the variety of techniques in annual reporting on businesses closely similar to his own. Additionally, the reader may find helpful the comments on his industry's annual reports set forth in one of the reports of the Corporate Information Committee of the National Federation of Financial Analysts Societies.

Turning now to some of the other op-

portunities to achieve an effective shareholder relations program, particularly as it may be addressed toward the company's present security holders, careful attention should also be given to the preparation and distribution of various types of communications with shareholders in addition to the annual report, such as:

1. Letters of welcome to new shareholders; warm, sincere, cordial and friendly greetings contained in a personal letter from the company's President or Chairman. Samples of consumer goods produced by the company may also be forwarded, if appropriate, such as cigarettes, paper cups and food products, thus creating the first bonds of loyalty of yet another shareholder as a consumer of his company's products.
2. Acknowledgment of receipt of proxies for shareholders' meetings; brief printed notes thanking the shareholders for their expression of confidence in the management.
3. Summaries of minutes of shareholders' meetings; short printed summaries of resolutions adopted and key business transacted at each meeting.
4. News bulletins on important business developments; brief printed discussions of the basic significance of major constructive or adverse events.
5. Quarterly reports and dividend envelope inserts; somewhat personal, informal illustrated messages commenting on the significance of quarterly data rather than just furnishing an impersonal comparative statistical statement of sales, profits and backlog alone.
6. Copies of important speeches delivered or articles written by the company's officers; reprints of addresses considered timely or pertinent to the company or its industry.
7. Appropriate sales brochures and literature on new company products; brief printed material giving the shareholders the same firsthand picture of the quality, usefulness and importance of the company's products or services as may be given to its prospective customers.
8. Letters of regret to shareholders who liquidate their investment; personal letters expressing the concern of the President or Chairman of the company that the shareholder has left the corporate family, and expressing the hope that at some time in the future he may again renew his holdings.

While printed communications serve as a continuing basis of approach to all the company's shareholders, both large and small, the President or Chairman should in addition undertake to become personally acquainted with the company's major shareholders, whether they be individuals, trusts or corporations. In fact, a visit from a senior company executive, perhaps once a year, in conjunction with some other company business that brings the executive into that general vicinity anyway, will singularly impress the large shareholder and further assure his support, and in turn may often yield the company valuable and constructive suggestions.

All in all, an effective shareholder relations program must by definition be a successful human relations program. The result of a successful program is that the shareholder will come to feel he is almost a partner of the company, and when from time to time he may liquidate certain security holdings to create cash or to reinvest in other more highly recommended situations, he may well continue to hold the shares of companies with which he feels familiar, and sell those with which he is relatively unacquainted.

A SHAREHOLDER relations program not be turned on or off at will, when those responsible happen to have time for it, or whenever a threat of a minority outside interest usurping control rises on the future horizon. In fact, when raiders strike for control of a company, its shareholders invariably more firmly support a management which has already consistently and actively been soliciting their support, as compared with a management transparently solicitous of shareholders only at the last minute and actually fearful for their own executive positions. Furthermore, such an eleventh hour campaign of defense is many times more expensive than a continuous and normal shareholder relations program.

Probably few companies match the time and effort spent each year on their shareholder relations program by American Telephone and Telegraph Company, whose secretary, Mr. S. Whitney Landon, has observed: "The purpose of stockholder relations activities is to build up and maintain a friendly, cooperative and understanding group of stockholders." This company's group now numbers over one million shareholders, the largest number for any publicly held company in the world, and their cordial good will is one of the company's most important assets.

Mr. Paul W. Johnston, President of Erie Railroad, has said: "What really counts in shareholder relations is the progress made over the years in bringing the owners into more direct contact with the company and in keeping them fully informed of the problems of the company in which they have invested their savings."

SECURING the respect and solid support of present shareholders, however, is but one-half of the program — the other is developing prospective investment shareholders. In fact, healthy continuing growth and addition to the company's family of shareholders is necessary just to offset the inevitable liquidation of ownership from time to time by former security holders, it being estimated that there is at least a ten percent "mortality rate" each year among the holders of record of the securities of the average corporation.

Over 90% of all new investments in securities are made either directly or indirectly upon the recommendation of the many members of the financial community, including partners, executives and security analysts associated with commercial and investment banking firms, with investment counsel firms and with many other financial institutions. Especially significant are the recommendations of the analysts of the large volume securities buyers, such as insurance companies and mutual funds. With securities of well over ten thousand publicly owned corporations to choose from, the members of the financial community have too limited time available to undertake independently to evaluate all these issues themselves. Accordingly, the company having a well-planned and continuing educational program directed toward cultivating the constructive confidence and interest of these many members of the financial community may expect over the longer term future a steady broadening of investment ownership of that company's securities. Such a company may also expect that its securities may sell at a level more fairly reflecting the present and the reasonably probable future business prospects of the company. Accordingly, new capital issues may more readily be placed, and often with less dilution of equity for the original shareholders. Furthermore, the shares of that company will no longer be

as attractive to raiders, who primarily seek control of profitable companies whose shares are inactive and have drifted to lower levels due to apathy and indifference on the part of management.

It is therefore important to plan and then to execute a long-term educational program directed toward the entire financial community, and especially the nearly five thousand security analysts all across the country who are affiliated with the National Federation of Financial Analysts Societies. Let us then consider some of the major aspects of such a program:

1. *Meetings for Members of the Financial Community.* The senior executive officer of the company responsible for shareholder relations should arrange several itineraries across the nation each year, scheduling meetings in a series of key financial centers. Each city important to the company, first because of an already large concentration of shares among the clientele of investment bankers in such cities, or secondly, important perhaps because so few shares are held in its environs, should if possible be visited each year. He should present in a maximum period of one-half hour a concise, frank and vigorous extemporaneous analysis and review of the company's recent operations and a preview of its future plans, well-documented by graphic charts, booklets and other visual aids. He should then be prepared to answer questions for a second half-hour period. These educational meetings may take the form of:
   (a) small private luncheons for perhaps ten to twenty guests, carefully chosen as to their real interest in at least the industry if not the specific company itself. Because of the wide range of corporate activities and the impossibility of security analysts following developments in all companies, a major degree of specialization has developed among analysts. Hence, care should be taken to extend invitations just to those analysts or others in the financial community who are known to be especially interested in the company's field of endeavor. The purpose of a small private luncheon is, of course, to present the story of the company's business aimed directly at a carefully chosen, concentrated small target. Furthermore, in such a small meeting there is achieved a closer understanding among those participating, and an opportunity to pursue a more specific series of questions following the presentation, than is possible before a much larger audience.
   (b) appearances before large luncheon meetings, sometimes arranged by the company but often by the security analysts themselves, and attended by anywhere from fifty to several hundred financial people. Members of regional analysts societies meet together regularly at intervals, ranging from twice a month in the case of those in smaller cities, to daily in the case of the New York Society of Security Analysts. Invitations to address such meetings offer valuable opportunities to reach a genuinely interested audience (at a time, of course, when the company does *not* contemplate public financing).
   (c) large mid-afternoon meetings and receptions, usually for over a hundred interested guests. The company may invite to such meetings a still wider group of representatives of financial institutions and perhaps larger local shareholders.
2. *Plant Tours for Analysts.* In carefully selected groups of from about five to twenty, analysts known to be particularly interested in the industry and possibly in the company itself should be invited as guests each year to visit the company's plants, either for a one day or for longer programs. Sometimes plant tours may coincide with the opening of new production or service facilities, or may be occasioned by anniversaries of the company's history.

INCIDENTALLY, it is appropriate to furnish each guest with a memento of the occasion of the meeting, whether it be a plant visit or a meeting in the financial community. Sometimes this may be in the form of an actual sample of the company's product, or a miniaturized desk model which might serve as a paperweight.

Meetings held in financial centers and in plants give the members of the financial community an opportunity to appraise the competence of the company's top management, their enthusiasm, ability and perspective, and also enable them to secure a firsthand, three-dimensional picture from time to time of the company's progress toward its long-term goals. Programs such as these serve an important function to investment advisors in their continuing search for sound investment opportunities in companies with which they may not previously have been given an opportunity to become closely acquainted.

3. *Meetings with Securities Rating Agencies and Investment Advisory and Counsel Services.* The company's President or Treasurer should make personal calls on the editors or specialists of these concerns. Detailed statistical and analytical data should be made available for their study, and every effort should be expended to furnish whatever additional information may be desired in order that the company's security issues may be assigned the highest justifiable rating classification in the interests of the company securing the best possible terms upon the occasion of future financing.
4. *Mailing Programs.* The broad circulation of the annual report and of certain other important interim releases, beyond their normal distribution to present shareholders, will broaden the base of interest and confidence in which the company's securities are regarded. For example, Mr. W. A. Wecker, President of Marquette Cement Manufacturing Company, in an article entitled "Selling Private Enterprise via the Annual Report," has said: "The emphasis with us is on making the annual report serve as an instrument of education for the many different segments of our public, which, of course, includes our stockholders. But it also includes many other important groups whose thoughts and actions have a tremendous bearing upon the forms our society will take in the future."

   There should be very carefully developed for each company a special mailing list particularly tailored to the needs of the company, covering:
   (a) *the home or community level,* including the company's employees, customers, subcontractors, suppliers, applicable local governmental agencies, opinion leaders and clergy in the com-

munity, local Chamber of Commerce, Rotary, Kiwanis and other service groups. Source data for this list lies primarily within the company's own present records or is available on the local scene.

(b) *the national level,* including the officers, partners and the security analysts of the numerous financial and investment counseling concerns, investment trusts, foundations and funds, insurance companies, securities rating bureaus, and financial libraries across the country. Source data for this portion of the list is extensive and varied, and a particular list can be developed only by carefully selecting names of those especially interested in the appropriate industry through study of such publications as "Security Dealers of North America," an annual listing of the personnel of all securities firms, and "Directory of Memberships," an annual listing of the members of the National Federation of Financial Analysts Societies.

5. *Releases to the Financial Press.* The senior officer responsible for shareholder relations should always be alert to see that a succession of newsworthy releases are from time to time prepared and distributed to both the local and national financial press in order to continue to call the attention of potential investors to interesting developments affecting the company and its securities. In addition, the availability of the annual report, or perhaps other special material, may in certain instances be advertised in limited areas or nationally to further the same purpose.

THE importance which one of the largest companies, General Motors Corporation, attaches to an effective shareholder relations program in broadening the future investment ownership base of a company's securities is well summed up by its Chairman, Mr. Alfred P. Sloan, Jr., who has said: "I look upon the annual report as the most important aspect of stockholder relations, but in no sense the only aspect. Annual reports, from their very nature, come only once a year. It is essential, in order to capitalize management's opportunity and responsibility, to contact ownership more frequently. Quarterly reports are a useful medium but are generally confined to the financial area. The annual report should be supported by periodic messages dealing more specifically not only with the problems of the moment as they arise from time to time within the individual business but with policies as affecting the progress and stability of enterprise in general. A constructive annual report supported by periodic messages can do much to expand the ranks of investors by drawing more and more people into enterprise as stockholders. No more constructive approach can be made to promote and support the capitalistic system. Our goal should be to have every American a stockholder in business."

In summary, most of our country's major corporations have become alert and active in that vital quadrant of senior management's responsibilities labeled shareholder relations. The feeling still persists, however, among the executives of a number of conservative older firms that should they adopt a program substantially parallel to that proposed in this report, their conduct might somehow be deemed reprehensible. Fortunately for the shareholders themselves, more and more companies each year since World War II have joined the ranks of modern corporations which have seriously undertaken a broad shareholder relations program. ■

Management Award Voted To H. Thomas Hallowell

H. THOMAS HALLOWELL, JR., president of Standard Pressed Steel Co., Jenkintown, was chosen by the Philadelphia Chapter of the Society for Advancement of Management to receive its second annual Management Award.

Mr. Hallowell, who is also president of the American Standards Association and a foremost national spokesman for the use of capital to increase industrial productivity, was honored for outstanding contributions to the advancement of management as a profession and a science.

Presentation of the award, which last year went to Thomas B. McCabe, president of the Scott Paper Company, was made at the luncheon meeting of the Philadelphia S.A.M.'s Eighth Annual Conference, February 10, at the Benjamin Franklin Hotel.

Mr. Hallowell has been with Standard Pressed Steel since graduating from Swarthmore. He was made a superintendent in 1930, the plant manager in 1943, vice president and general manager in 1948 and president in 1951.

Under his direction, SPS has expanded to become one of the giants of the fastener industry. The company, which manufactures precision metal fasteners, aircraft specialties and shop equipment, has wholly owned affiliates in Cleveland, Los Angeles, Toronto and Coventry, England.

He is a trustee of the Pennsylvania State University, a director of the Cincinnati Shaper Company, Cincinnati; The American Pulley Co., Philadelphia; the Jenkintown Bank & Trust Company and the Pennsylvania Manufacturers Association, and a director and vice president of the Montgomery County Manufacturers Association.

The employee relations program at SPS, one of the most advanced on the American industrial scene, provides for comprehensive and liberal employee benefits, continuing employee instructions and training, upgrading rather than hiring from without, review regularly of each man's job and his performance.

Mr. Hallowell received the Annual Industrial Relations Achievement Award of the National Metal Trades Association in 1953 for the outstanding employee relations program of his company. He was elected an honorary member, in 1954, of the Pi Tau Sigma, National Honorary Mechanical Engineering Fraternity, by the Zeta Chapter at Pennsylvania State University. ■

New Management Writing . . .

HANDBOOK OF UNION GOVERNMENT, STRUCTURE AND PROCEDURES

By James J. Bambrick, Jr. and George H. Haas. National Industrial Conference Board, Studies in Personnel Policy, No. 150. Published by NICB, 460 Park Avenue, New York 22, N. Y. Price $3.00.

THERE can be little debate about the need for an up-to-date reference book on contemporary unionism in the United States. NICB's publication of its *Handbook of Union Government, Structure and Procedures* fulfills this need in a most admirable fashion. What is more, it makes for interesting reading —a quality difficult to achieve in a handbook-type publication.

The *Handbook* is a summary of pertinent provisions in the constitutions of 194 American labor unions (110 AFL, 29 CIO, and 55 Independent unions), as well as a detailed examination of the merged AFL-CIO Federation—its historical background, organization structure, finances, and government. Actually, the research study involves two publications: A 320 page *Sourcebook*, which contains verbatim quotations of the provisions of the 194 union constitutions studied, and the *Handbook*, a 120-page digest of the material found in the larger *Sourcebook*.

A reading of the *Handbook* provides a wealth of factual information on such significant questions as the following: . . . *Are unions democratic in their admission policies?* Thirty-nine of the 194 union constitutions have specific provisions which declare that all persons qualified for membership shall be admitted regardless of race, creed, color or national origin. These thirty-nine unions have a membership of 4,329,551 out of a total estimated membership of 17,500,000 for the 194 unions included in the study. Five unions have provisions in their constitutions which bar Negroes and other racial minorities from membership. These unions have a membership of 442,000. Fifty-six unions, with a membership of 6 million, have specific provisions which bar Communists and other subversive elements from membership.

The majority of unions (125 out of 194) admit all workers at trades or in industries under their jurisdiction. Forty-four other unions admit new members after a period of apprenticeship training, and a total of 17 unions employ a system of "fraternal" voting before a new member can be admitted. Under this system, an applicant is rejected if a certain proportion of members "blackball" him.

. . . *How high are union initiation fees?* This study contains a tabular listing of the exact revenue provisions of each of the 194 union constitutions, and reveals that initiation fees vary from 65c to $250. In many cases the constitution sets the minimum fee to be charged, leaving the exact amount to be determined by the local union.

. . . *What are the provisions concerning union dues?* Most of the constitutions set a minimum and/or maximum amount of dues and initiation fees which the local may charge. Within limits, then, the local may set its own charges. The 194 unions covered in the study take in roughly $457,000,000 a year in dues, and approximately $228,000,000 of this amount goes to the national or international headquarters of the union. The remainder stays in the local treasury.

. . . *Where does union authority reside?* With the local union or with the international headquarters? Who has author to authorize a strike action? Who has authority to approve the terms of collective bargaining agrements? What are the strike vote procedures? These questions are examined in detail in three sections of the *Handbook*.

. . . *How are unions governed?* How are union presidents elected? How collective bargaining agreements? What provisions are made for union discipline? How is a member reprimanded, fined, suspended or expelled?

All of these questions—and many more—are answered in factual detail on basis of the constitution provisions of 104 American unions. Needless to say, the *Handbook* does not provide value judgments about union government, structure, and procedures. It is intended to provide information, and that is precisely what it does in an authoritative, well-organized and readable manner.

ROBERT H. LAWS
Economics Director
Society for Advancement of Management

REVIEWS IN BRIEF

SUPERVISION OF PERSONNEL: HUMAN RELATIONS IN THE MANAGEMENT OF MEN

By John M. Pfiffner. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1956. $5.00.

VIEWPOINTS—Reading For Analysis

By T. A. Barnhart, W. A. Donnelley, L. C. Smith, Jr. Prentice-Hall, Inc., Englewood Cliffs, N. J.

PSYCHOLOGY OF PERSONNEL IN BUSINESS AND INDUSTRY

By Roger M. Bellows. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1956. $5.50.

INDUSTRIAL ORGANIZATION AND MANAGEMENT

by Lawrence L. Bethel, Franklin S. Atwater, George H. E. Smith, Harvey A. Stackman, Jr. McGraw-Hill, 330 W. 42nd St., New York 36. 1956. $6.75.

MANAGEMENT IN ACTION

By Lawrence A. Appley. American Management Association, 1515 Broadway, New York 36, N. Y. $5.00 (AMA Members $3.50). 382 pp.

WORK AND AUTHORITY IN INDUSTRY

Ideologies of Management in the Course of Industrialization, by Reinhard Bendix. John Wiley & Sons, Inc., 440 Fourth Ave., New York 16, N. Y. 1956. 466 pp. 10 illus. $7.50

EMBEZZLEMENT CONTROLS FOR BUSINESS ENTERPRISES

By Lester A. Pratt, C.P.A. Published as a service to employers by Fidelity and Deposit Company of Maryland, American Bonding Co., Baltimore, Md.

WORKER SATISFACTION AND DEVELOPMENT

A Case Study of Work and Social Behavior in a Factory Group, by A. Zaleznik. Harvard Business School, Division of Research, Boston 63, Mass. 148 pp. bibliography. 1956. $2.00.

MANAGEMENT FOR TOMORROW

Proceedings of the 8th Annual Conference of the Philadelphia Chapter of Society for Advancement of Management. Published by Chilton Company, Chestnut & 56th St., Philadelphia. 179 pp. $6.00. 1956.

U. S. Government Films For Management

U. S. Government Films has issued a new free catalogue describing some 300 selected films for use in Management and Training programs of business and industry. The general subjects dealt with in these special groupings of films are Management, Engineering, Supervision and Training.

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1445 Park Avenue, New York 29, N. Y.

P.S. Don't forget the fine set of Rating Films available through the Society for Advancement of Management.

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For Period of July 1, 1955 to May 31, 1956

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Knoxville	10011	Dallas	5303
Providence	9396	Clearing	5263
Washington	8638	Baltimore	5182
Lancaster	8308	Alabama	5181
Wilmington	7907	Worcester	5073
Greensboro	7772	Richmond	4798
Sacramento	7750	Lehigh Val.	4776
Philadelphia	7652	New Orleans	4663
West. N. C.	7612	Madison	4579
Cleveland	7355	Portland	4345
Bridgeport	7060	Saint Louis	3724
Milwaukee	7013	Georgia	3387
Chicago	6921	New York	2922
Indianapolis	6899	San Francisco	2667
New Haven	6863	Cent. Pa.	2277
Raritan Val.	6863	Detroit	2083
Boston	6809	West. Mass.	1538
Northeast. Pa.	6792	Cent. N. Y.	1512
Tren.-Del. Val.	6662	Athens	454
Nashville	6479	Hartford	350
Twin City	6451	Calumet	
Binghamton	6413	Charlotte	
Pittsburgh	6285	Cincinnati	
Reading	6266	Dayton	
Los Angeles	6257	Fox Valley	
No. N. Jersey	6239	Long Island	
Greenville	6214	No. Alabama	
Kansas City	6051	Puerto Rico	
Montreal	5439		

RATES: Classified insertions billed at $1.50 a line per issue for Positions Open, $1.00 for Positions Wanted. Lines average 30 characters. Boldface heading counts as two lines. There are 7 lines to an inch. Minimum insertion charge on five-line basis. Display ads at a minimum of 1½ inches. Copy required not later than the 12th of month preceding publication date.

Answers to box number ads should be addressed to given box number, care of ADVANCED MANAGEMENT, 74 Fifth Ave., New York 11, N. Y.